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The role of attraction and control boundaries in value creation – dyadic exploration of strategic buyer-supplier relationships

Anna Aminoff

VTT

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A doctoral dissertation completed for the degree of Doctor of Science (Technology) to be defended, with the permission of the Aalto University School of Science, at a public examination held at the lecture hall TU1 of the school on 22 May 2015 at 12 noon.

ISBN 978-951-38-8292-1 (Soft back ed.)
ISBN 978-951-38-8293-8 (URL: http://www.vtt.fi/publications/index.jsp)

VTT Science 90

ISSN-L 2242-119X
ISSN 2242-119X (Print)
ISSN 2242-1203 (Online)

JULKAISIJA – UTGIVARE – PUBLISHER

Teknologian tutkimuskeskus VTT Oy
PL 1000 (Tekniikantie 4 A, Espoo)
02044 VTT
Puh. 020 722 111, faksi 020 722 7001

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Grano Oy, Kuopio 2015

Acknowledgements

Accomplishing doctoral studies have been an unforgettable journey. This type of project can never be completed alone. I have the privilege to acknowledge the contributions of the talented, fun and inspiring individuals I am surrounded by. It is time to thank the many people who have helped and supported me during this journey. First, I would like to thank my supervisor Professor Kari Tanskanen for the support he gave me during this process. Kari has drilled me in publishing research results and taught me a lot about the importance of choosing interesting research problems and framing the research. The discussions with him have guided my journey. Further, I would like to thank the reviewers of this dissertation Professors Thomas Johnsen and Jukka Hallikas for their valuable comments and suggestions for improvements, which helped me to finalize this thesis.

I also wish to thank all colleagues who have participated in the research reported in this thesis. I sincerely appreciate the support of the Logistics research group at Aalto as well as my team, Business renewal in organizations and networks, at VTT. These teams have provided a lot of support and encouragement and raised a good spirit. I am thankful to the talented individuals of the research team for their constructive feedback and inspiring discussions. I would like to express my warmest gratitude to my team leader Heli Talja, who has given me all her support. My compliments also go to the whole SSOC project team at VTT and Aalto, especially to Riikka Kaipia, Kari Iloranta and Outi Kettunen.

This research could not have been completed without the case companies and professionals who have given me their time and insights by offering themselves as interviewees. Without such contributions this research would not be possible. I am thankful for the research funding my projects have received from Tekes, the Finnish Funding Agency for Technology and Innovation, which has been a critical enabler for this dissertation project. I also thank VTT for the funding for the finalizing phase of the thesis.

Finally, I would like to express my deepest and warmest thanks to my nearest and dearest: my family and friends. They provided their support, love and relaxing leisure time as a counterbalance to writing this thesis. My parents, Arja and Erik, have been there for our family and as an invaluable help with our children. Finally, I wish to express my gratitude to my loved ones, Jarkko, Emil and Jonas. I am deeply grateful for my husband Jarkko for bearing with me and enabling all those

late nights and weekends. Thank you, Emil and Jonas, for teaching me how to appreciate small beautiful things in the life.

In Espoo 21.4.2015

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Author's contributions

Part of the research was completed in cooperation with colleagues. My supervisor Professor Tanskanen helped me in all the phases of this thesis.

The original idea for the research belonged to the author.

The author developed the research instrument, planned the data collection and collected part of the data. The author also developed the instrument to measure the level of attraction and conducted the with-in case analyses.

The author was responsible for planning the study, analysing the data, comparing the results with previous literature and formulating the propositions and conclusions in the empirical Studies 3 and 5.

In empirical Study 2, the author helped compare the results with previous literature and formulate the conclusions.

The author developed the frameworks for the conceptual studies (Studies 1 and 4) and formulated the conclusions.

Contents

1. Introduction

1.1 Value creation in strategic buyer-supplier relationships

Changes in the business markets have forced companies to focus on narrower sets of core competencies and capabilities, and supplier relationships have become important sources of competitive advantage and innovation. It is widely agreed among previous researchers that successful buyer-supplier relationships (BSRs) are vital to a company's competitiveness because companies increasingly utilise suppliers' resources and capabilities. The buyer-supplier relationships are critical to obtaining resources that are important to reaching a firm-level competitive advantage (Ellram et al., 2013). It is generally agreed that long-term relationships with selected key suppliers are sources of competitive advantage (Liker & Choi, 2004; Walter et al., 2003). Previous studies have demonstrated the benefits of developing strategic, collaborative BSRs. It has been suggested that the benefits of these relationships include improved cooperation, better quality, knowledge acquisition, lower costs, reduction of risk, faster and better new product development, and different kinds of financial performance (Terpend et al., 2008). Whipple et al. (2010), Singh and Power (2009), and Fawcett et al. (2012) claim that strategic, collaborative relationships have a higher level of performance than transactional relationships do.

Despite the demonstrated advantages of strategic, collaborative relationships, there is only limited empirical evidence of potential mechanisms that enable firms to improve their strategic relationships (Cannon et al., 2010), and gains from collaborative efforts have often be unsatisfactory (Fawcett et al., 2012). Thus, managing these relationships is challenging, and strategic relationships do not often meet their objectives. Previous researchers have suggested that conceptualising the social aspects of relationships helps in understanding how cooperation in strategic BSRs can be achieved, developed and sustained over time (McCarter & Northcraft, 2007; Zeng & Chen, 2003). Relationship marketing and the IMP group have studied relational aspects of relationships and developed models for buyer-supplier relationship development (Dwyer et al., 1987; Ford, 1980; Lee & Johnsen, 2012). It can be stated that there is a considerable amount of research that examines the stages of relationship development (Lee & Johnsen, 2012), however there is only limited understanding of the mechanism of how buyer-supplier relationships

are initiated and developed, and the processes of relationship building is still relatively unexplored (Mortensen, 2012; Wilkinson et al., 2005).

The management of strategic BSRs requires an understanding of the way these relationships can create value for the company (Hogan, 2001), as it is suggested that value creation is the fundamental reason for a customer firm and a supplier firm to engage in a relationship (Anderson, 1995; Lindgreen, 2012; Ulaga & Eggert, 2005; Wilson, 1995). However, academics and practitioners have agreed that we have only recently started to understand what value denotes (Lindgreen, 2012). The most apparent shortcoming of the traditional approach to value is the one-sided focus on the benefits that customer firms enjoy when utilising products and services offered by supplier firms (Ramsay, 2005), and value creation is conventionally managed by the customer firm through explicit contracts that define the responsibilities and rights of the relationship partners. Although extant academic literature almost unanimously advocates the importance of understanding the social dimensions of value creation mechanisms, these are still not sufficiently well understood (Schiele et al., 2011), and additional research is needed to gain in-depth understanding of the mechanisms of value creation for strategic BSRs to meet their goals.

1.2 Approach, objectives and scope of the thesis

1.2.1 Approach of this thesis

In this thesis, a strategic BSR refers to: “A relationship with a company that possesses resources that are vital for future success. A relationship is based upon joint opportunities and includes a large amount of cooperation in different levels, such as in product, operations, and business development.” Strategic relationships adopt a long-term approach with joint efforts to create unique value that neither partner can produce independently (Terpend, 2008).

The focus of this thesis is on understanding non-contractual value creation in strategic BSRs. This thesis suggests that a better understanding of non-contractual, reciprocal value creation, as proposed in social exchange theory (SET), would help us to understand why business relationships are initiated and developed between buyer and supplier, and why the gains from collaborative initiatives have been successful – or disappointing. This would provide an important contribution to the BSR literature because in complex, strategic BSRs, a substantial amount of value is created through efforts that are not directly determined by contracts, and governance involves more than formal contracts (Cao & Lumineau, 2015). In strategic BSRs, companies have an urgent need to influence their business partners and to advance value creation through collaboration if they wish to achieve their strategic goals and increase competitiveness. In particular, the thesis suggests that gaining novel understanding of the role of attraction and control boundaries would contribute to our understanding of mechanisms of value creation.

The theoretical basis of this thesis is SET. SET is a formal theory that focuses on voluntary exchanges of value by actors (people, organisations) that rationally endeavour to maximise their rewards in a social system (Calhoun et al., 2007), and it emphasises reciprocity in value creation and relies on trust (Blau, 1986; Homans, 1961; Thibaut & Kelly, 1959). In contrast to transaction cost economics, which has contractual clauses and transaction-specific investments as the core parameters, SET emphasizes the relationship between the exchange parties as the main governance mechanism of exchange. The core explanatory mechanism of SET is the relational interdependence that develops over time through the interactions of the exchange partners (Dwyer et al., 1987; Cropanzano & Mitchell, 2005). SET is based on the notion that social interactions contain value that can be exchanged (Calhoun et al., 2007).

SET has received considerable attention from both operations management and relationship marketing researchers, and it has also proved to be a fruitful approach in studying BSRs (Griffith et al., 2006; Hald et al., 2009; Harris et al., 2003; Li et al., 2008; Muthusamy & White, 2006; Narasimhan et al., 2009; Nyaga et al., 2010; Young-Ybarra & Wiersema, 1999; Zhang et al., 2009). Cropanzano and Mitchell (2005, p. 847) have claimed that SET is "one of the most influential conceptual paradigms in organizational behavior", and Griffith et al. (2006) posited that the lack of a SET perspective may have limited our knowledge about supply chain relationships. According to Narasimhan et al. (2009), the lack of studies applying SET to supply chain relationships is surprising for two reasons. First, SET can enhance our understanding of inter-organisational relations (Narasimhan et al., 2009) and, second, and more importantly, elements of SET are extensively used in the present models of supply chain relationships (Narasimhan et al., 2009). Previous literature of value creation and collaboration in BSRs has applied several theories, including transaction cost economics, a resource-based view, a relational view, social capital and social network theory. However, in the light of previous investigations, academic research would gain much by further applying SET in the field of BSRs, considering SET's ability to explain reciprocal exchanges, value creation and the role of attraction (Hüttinger et al., 2012).

1.2.2 Objectives of the thesis

The aim of this thesis is to increase understanding about the role of attraction and control boundaries in value creation in strategic BSRs. Understanding value creation is crucial for managing and developing strategic BSRs. Previous researchers have recognised that in strategic, complex BSRs, value is not just transferred from the supplier to the buyer but is created jointly in the relationship (Ambrose et al., 2010; Goffin et al., 2006; Hald et al., 2009; Kingshott, 2006). Based on the identified gaps in theory, the following three research questions were formulated:

Research question 1: How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?

The objective is to explain the mechanisms of non-contractual value creation and influence by using SET's basic assumptions and propositions. This acts as a

background and basis for the rest of the thesis by providing knowledge about basic constructs, propositions of SET and their interconnections. To understand the social mechanism of value creation, including attraction, it is crucial to understand the basic assumptions and scope of the useful concepts and theoretical constructs of SET. The power of SET lies in its ability to illustrate and explain the mechanisms of reciprocal, non-contractual efforts made by individuals, groups and organisations. In addition, the propositions of SET are well established and proven by social exchange theorists (for example, Blau, 1986; Emerson, 1972a; Emerson, 1972b; Thibault & Kelley, 1959). This thesis proposes that adding profound understanding of how to apply these propositions and constructs in the context of BSRs would make an important contribution.

The thesis provides a framework explaining the social exchange mechanism of influence and value creation based on the basic assumptions and propositions of SET, as well as a precise terminology based on SET, to explore the key value creation mechanisms in relationships between a buyer and a supplier company. This thesis makes a major effort to clarify these issues in the interest of paving the way for future research.

Research question 2: How does attraction affect value creation in strategic BSRs?

The objective is to add understanding of the role of attraction in value creation and influence in strategic BSRs. The role of attraction in exchanges is underlined in the approach of SET, as SET argues that attraction is a driving force of all social exchanges (Blau, 1986) and that attraction "triggers a reciprocal process in which both parties voluntarily work on their relationships and aim to prove their worth to the other party" (Blau, 1986, p. 21). The importance of attraction has recently been recognised by a number of relationship marketing and supply chain management researchers (see, for example, Ellegaard & Ritter, 2006; Harris et al., 2003; Hald et al., 2009; Hüttinger et al., 2014; Mortensen et al., 2008; Schiele et al., 2011). Previous researchers have posited attraction to be a force that induces a buyer company and a supplier company to jointly develop a BSR (Hald et al., 2009; Halinen, 1997; Harris et al., 2003; Mortensen & Arlbjørn, 2012). Thus, attraction helps us to understand how a company can motivate external partners to make the best effort voluntarily. In particular, customer attraction, meaning building key suppliers' positive perceptions of customers, has been suggested to have particularly high potential (Ellegaard & Ritter, 2007; Hald et al., 2009; Mortensen & Arlbjørn, 2012; Schiele, 2012). In this thesis, attraction is defined as "expected rewards minus costs of being involved in a relationship" and attractiveness is defined as having the quality of attracting a partner in a relationship.

Conventionally, purchasing literature studies only the buyer's perspective of the relationship. However, as supply markets have changed in recent years, purely price-oriented purchasing strategies may not be successful with those suppliers that either have limited availability or provide superior technology. This change has required buyer companies to give attention to being attractive customers in order to both guarantee access to key suppliers and remain competitive (Hüttinger et al., 2012). It has been proposed that customer attraction increases a supplier's

commitment to the relationship (Ellegaard, 2003; Mortensen & Arlbjørn, 2012), the allocation of (the best) resources (Schiele & Krummaker, 2011) and the ability to obtain preferred customer status (Hüttinger et al., 2012; Nollet et al., 2012; Schiele et al., 2011). However, the number of in-depth inquires still remains limited (Ellegaard, 2012), with empirical research being especially sparse, and the number of dyadic empirical studies is also limited. The discussion of customer attraction has mainly focused on the empirical validation of consequences (Schiele et al., 2011) and the role of attraction in the development of a relationship (Harris et al., 2003). The thesis contributes by adding understanding of the role of attraction in strategic BSRs, as the vast body of literature discusses the role of attraction in the initiation phase of relationships and in gaining preferred customer status. Based on the approach of SET, attraction is an attribute of a relationship not of a company (Emerson, 1962), which means that a customer company is not attractive in general only with respect to a particular supplier. The importance of the dyadic view has also been emphasised by Wilkinson et al. (2005) and Mortensen et al. (2008), who argue that a relationship will only be initiated and developed if both the supplier company and the buyer company perceive the relationship to be attractive. The understanding of how customer attraction should be managed is limited, although the concept of attractiveness only becomes useful to practitioners if it can be managed (Ellegaard, 2012; La Rocca et al., 2012).

Research question 3: What explains the control boundaries of a firm in strategic BSRs?

The objective is to add understanding of the role of control boundaries in influencing and value creation in strategic BSRs. Control has commonly been considered the main governance mechanism in BSRs. SET proposes that a relationship partner can influence the other partner either unintentionally or by active influence (Emerson, 1976), and the aim is to cover both approaches in this thesis. Control refers more to active influence, and buyer-supplier attraction more to unintentional influence, although it can also be used actively, as discussed later in this thesis. Control is defined as “attempts to motivate exchange partners to work to achieve designated objectives” (Stouthuysen et al., 2012, p. 423) and is considered an important mechanism to actively influence business partners. The success of collaboration depends on effective control (Fryxell et al., 2002), and in strategic BSRs, understanding of control boundaries is vital, as firms urgently need to influence the important resources that are located in other firms. The current trend towards outsourcing and collaborative initiatives has highlighted the role of control boundaries (Gadde, 2013), as a company with interdependencies with other companies can no longer control its own operations and resources. Although control as a governance mechanism has been excessively studied, we do not yet know enough about what determines the control boundaries. Partly competing, views of the antecedents of control boundaries have been suggested For instance, scholars who base their arguments on transaction cost economics see control as a safeguard against opportunism in the case of relation-specific assets and emphasise buyer control. Supply chain management scholars, on the other hand, em-

phasise total optimisation of the supply chain as an antecedent to control boundaries.

Research questions 1-3 are further divided into more specific questions and are presented in Table 1 and Chapters 4-8 of this thesis.

The topic of this thesis is important for managers, as the ability to manage a supply network effectively is required for better value creation and to support competitiveness. Given the essential nature of value in business networks, it is critical for business managers to understand the mechanisms and means of value creation. Managers need more guidance in coordinating and governing reciprocal value creation. Leading edge managers have started to understand that it is collaborative partnership that provides results in procurement. To achieve these results, companies need to transform their relationships with key suppliers. Traditionally, customer companies have been viewed as the dominant party in BSRs. However, recently, supply markets have changed, and in the markets, there are only a small number of high-competent supplier companies, and these may become selective about which companies they do business with and dedicate resources to. The best suppliers assess the expected value they will obtain from customer companies. Thus, buying companies need to come up with more proactive strategies to improve their attractiveness as a customer towards suppliers. Otherwise, supply chain competitiveness may become even more challenging.

1.2.3 Scope of the thesis

The research context of the thesis is a strategic, complex, industrial BSR in which the buyer and the supplier have at least some level of interdependence and desired continuity. Value creation and influence over the partner are crucial in these kinds of relationships. Strategic relationships adopt a long-term approach with joint efforts to create unique value that neither partner can produce independently (Terpend, 2008). Terpend et al. (2008) hope that BSR research will move beyond an examination of general alliance and network relationship management towards more focused studies of the relationships between buyers and their strategic suppliers. They believe that doing so would offer more awareness of the actual practices and efforts in which buyers and suppliers can invest, so that they can both derive value.

This thesis employs dyadic multiple case studies as a research approach. The research explored six BSRs with two buyer companies and their six supplier companies. Case studies enable the exploration of topics with little pre-existing theory and aid the development of frameworks by using data collected through interaction with subjects of interest. The basic idea of the case study is the many-sided approach it gives to a situation in its context (Halinen & Törnroos, 2005), which suits the objectives of this thesis well. The aim was to collect rich data, incorporating the perspectives of respondents from both ends of the dyad. John and Reve (1982) have already noted that measures acquired from one party in a buyer-supplier relationship do not provide a valid assessment of dyadic relationships. Oosterhuis et al. (2013) argue that buyer-supplier relationships should not be treated as ho-

mogeneous units. Rather, companies in a buyer-supplier relationship differ in their perceptions of key issues in that relationship (Oosterhuis et al., 2013). Despite the importance of the dyadic approach, Terpend et al. (2008) found that only 6 of 151 articles about BSRs were dyadic. Thus, the dyadic approach of this thesis helps to enhance our understanding of whether buyers and suppliers share, or fail to share, perceptions of their relationships.

This thesis has informants from different parts of the case companies, such as purchasing and product development. Many studies simplify dyads and overlook the possibility that different groups inside an organisation may have different perceptions of the partner organisations, as organisations are pluralistic, divided into subcultures (Hald, 2012). Having multiple informants from different parts of the case companies gives a comprehensive picture of the studied issues. The case companies are from two different lines of business: high technology and the pharmaceutical industry. The selected suppliers are all prominent in their categories.

1.3 Structure of the thesis

After this introductory chapter, the structure of the rest of the thesis is as follows. Figure 1 presents the structure of this thesis.

Chapter 2 starts by reviewing social exchange theory. The chapter concludes with a number of definitions and propositions of social exchange theory that are central to understanding the rest of the dissertation. It continues by summarising how the concept of attraction is approached in SET. Next, it focuses on how SET has been applied in both buyer-supplier management literature and supply chain management literature. Chapter 2 also presents a review of BSR literature, with special emphasis on attraction and supply chain control literature. The objective of this chapter is to create a theoretical framework and identify gaps in recent literature. Based on the literature review, the research questions for this thesis are formulated at the beginning of Chapter 3. **In Chapter 3,** the research design and the research methods are discussed. It also presents the development of an instrument to measure the level of attraction, the descriptions of case relationships and with-in case analyses of attraction in these relationships.

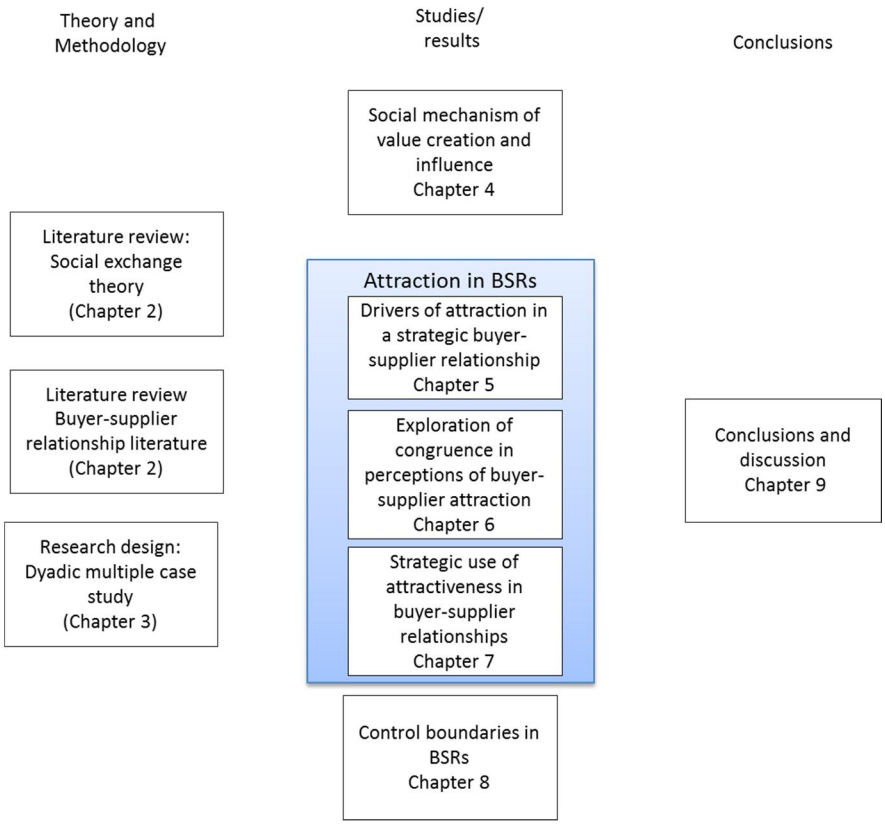

Figure 1. Structure of the thesis

The research presented in this thesis consists of five individual studies, which are presented in Chapters 4-8**.** By approaching the topic of the thesis from five different perspectives, the studies offer answers to three main research questions. Each individual study presents a more specific research question, as presented in Table 1. The studies are based on the same set of data, presented in Chapter 3. These five studies are also designed to stand alone, so there is some repetition of other chapters of this thesis. In addition to the results, each study presents an introduction, its own short literature review as needed to address the specific topic, and a description of data analysis. Each study also includes its own conclusions and discussion section. Some results of the studies have previously been reported in journal articles and conference papers, or are at different stages of the publication process at the time of writing (see Appendix A for a list of publications). The published articles, conference papers and manuscripts in review are not the same versions as presented in this thesis. Table 1 summarizes the objectives and research questions of the thesis and individual studies.

Table 1. Overview of the objectives and research questions of the thesis

Objective of the thesis	**To increase understanding about the role of attraction and control boundaries in value creation in strategic BSRs**		
Research questions	How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	How does attraction affect value creation in strategic BSRs?	What explains the control boundaries of a firm in strategic BSRs?
Research questions of the studies			
Study 1:	(x) How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	*	*
Study 2		(X) What are the drivers of buyer-supplier attractiveness in a strategic BSR?	
Study 3		(X) How does mutual attraction affect the success of a strategic BSR?	
Study 4		(X) How can attraction be used strategically?	
Study 5		*	(X) What explains the control boundaries of a firm in strategic BSRs?

(X) The study makes a major contribution to the research question and the specific research question of the study

* The study makes a minor contribution to the research question

Chapter 4: A framework for understanding influence and value creation in buyer-supplier relationships – a social exchange theory perspective (Study 1): The aim of the study was to examine how social exchange theory (SET) might increase our understanding of non-contractual value creation and influence in BSRs. The study advances a framework that gives one explanation of value creation and influence by combining the basic propositions and assumptions of SET, including the work of early theorists Blau, Homans and Emerson. This study also presents a synthesis of social exchange theory and introduces terms used in other studies. The research question of the study is "How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?" This study is conceptual and uses one of the cases to illustrate the developed framework.

Chapter 5: Drivers of attraction in strategic buyer-supplier relationships (Study 2): In a strategic BSR, both the buyer and the supplier aim to utilise the relationship to gain a competitive advantage. Since a strategic BSR requires a large amount of effort from both parties, firms have become very selective in terms of which companies they engage with in a strategic BSR. Therefore, both the

buyer and the supplier must shape their attractiveness in order to make the other party put effort into the relationship. The purpose of this study is to identify the drivers of attraction in strategic BSRs to find out if the drivers differ between different BSRs and, if so, why. The research question of the study is "What are the drivers of buyer-supplier attractiveness in a strategic BSR?"

Chapter 6: Exploration of congruence in perceptions of buyer-supplier attraction: a dyadic multiple-case study (Study 3): The aim of this study is to explore the dyadic aspect of buyer-supplier attraction by introducing a notion of congruence to describe the nature and extent of differences in perceptions of attraction. The congruence in attraction refers to the alignment of the key elements of attraction. Congruence in perceived attraction would imply, for example, similar expectations around different elements of attraction, such as cost reduction and support of the other party. Accordingly, incongruence implies important differences in expectations of some key elements in behavioural constraints of attraction. The research question of the study is "How does mutual attraction affect the success of a strategic BSR?" The study develops a set of proposals to explain how congruence in perceptions of attraction affects relationship success.

Chapter 7: The strategic use of attractiveness in the buyer-supplier relationship: a framework (Study 4): Customer attraction plays a focal role in gaining "preferred customer" status in resource allocation and in fostering joint value creation in a strategic relationship, and managers are increasingly interested in developing attraction as a customer, but they face many challenges. The aim of this study is to discuss the role of attraction as part of supplier relationship management and to advance a framework for the strategic use of attraction. The research question of the study is "How can attraction be used strategically?" The study also aims to give practical examples of how this framework can be applied to manage attraction.

Chapter 8: A Dyadic study of control boundaries in strategic buyer-supplier relationships (Study 5)

Building on recent developments in industry and research, this study focuses on control boundaries in strategic BSRs. An important premise in managing strategic BSRs is to encourage the collaboration to reach the objectives of relationship partners (Hausman & Johnston, 2010) and to obtain strategic aims that firms need to influence their partners. Establishing supplier control mechanisms (Krause et al., 2000) has already been identified in prior research as a recommendation for companies that want to improve BSRs on a continuing basis (Joshi, 2009; Krause et al., 2000). Recent changes, such as outsourcing and collaborative relationships, have narrowed the boundary around the firm (Gadde, 2013) and emphasised the importance of understanding control boundaries.

The previous studies of control in supply chains have mainly concentrated on antecedents that lead to the adoption of formal control, social control or both and to the relationship between formal control and social control (Li et al., 2010). This study empirically explores what explains the control boundaries in a complex BSR because different, and partly competing, views of the antecedents of control boundaries have been suggested. The research question of the study is "What

explains the control boundaries of a firm in strategic BSRs?" While previous studies have generally examined only the focal company's perspectives of control in a BSR, this study takes a dyadic perspective with a case study of six buyer-supplier relationships.

Chapter 9 concludes and discusses the results.

2. Theoretical framework

This chapter gives an overview of the theoretical background of this thesis. The chapter starts by explaining the basic assumptions of SET, which form the theoretical basis of this thesis. In this section, the basic constructs and assumptions of SET are presented. A more comprehensive presentation of SET's approach to the mechanism of value creation and power is contained in Study 1 (Chapter 4), in which a framework of non-value creation and influence is advanced based on the basic assumptions and propositions of SET. Next, SET's approach to attraction is discussed, as SET proposes that attraction is the mechanism that makes the buyer and the supplier put effort into creating value in the relationship, and that enables influence over the partner. The thesis continues by presenting how SET has been applied in BSR and supply chain management literature. SET has enjoyed increasing popularity, and it seems to fit well with the diverse research problems in these areas. This chapter proceeds by synthesising the literature on value creation and influence in buyer-supplier relationships. Finally, the literature on buyer-supplier attraction and control in buyer-supplier relationships is summarised, as these are central themes of this thesis. Previous literature on both control and attraction is then also reviewed in Studies 2, 3, 4 and 5 (Chapters 5-8).

2.1 Social exchange theory

Social exchange theory (SET) was originally developed to research interpersonal exchanges (Das & Teng, 2002). The roots of SET can be traced back to the 1920s, and SET originates from such disciplines as structural anthropology (e.g. Levi-Straus, Malinowski), social psychology (e.g. Gouldner, Homans, Thibault and Kelley), behavioural psychology (e.g. Bandura, Skinner), economics (e.g. Ricardo) and sociology (e.g. Blau). These linkages are also one of the strengths of the theory. The originator of SET was Homans, who based his work on the ideas of B.F. Skinner (Calhoun et al., 2007), with Blau developing the second version of SET. Both took major contributions from social psychology, with Homans relying more on psychology than Blau, and Blau making deeper use of economics than Homans (Befy, 1977).

SET is classified as belonging to the contemporary social sciences, and it is one of the first sociology theories based on empirical research. The focus of SET is on the study of social exchanges between actors (Blau, 1986; Homans, 1961; Thibaut & Kelley, 1959). Social exchange is defined as "voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others" by Blau (1986, p. 91), and he views social exchange as an "ongoing reciprocal process in which actions are contingent on rewarding reactions from others" (Blau, 1986, p. 6). In SET, the need for social exchange is developed by the scarcity of resources, which encourages the actors to engage in and exchange to gain valuable inputs (Levine & White, 1961). The unit of analysis in SET is the relationship between the actors that engage in the exchange (Molm, 1997). Actors can be either individuals or corporate groups acting as single units (Molm, 1997).

Social exchanges take place "within structures of mutual dependence, and actors depend on each other for valued outcomes" (Molm, 1997, p. 55). According to SET, the basic motivation for the interaction between actors is the search for rewards and the avoidance of punishments (Bandura, 1986; Emerson, 1976). SET is often defined as a "rational choice" theory because it assumes that actors behave in such a way that aids them to obtain the outcomes that they want (Molm, 1997). However, SET does not presume that actors make conscious calculations, even though SET allows for such calculations (Emerson, 1976).

SET is based on the idea that social interactions contain value and that value can be exchanged (Calhoun et al., 2007). Exchanges can be either negotiated or reciprocal. In reciprocal exchanges, actors' contributions are not negotiated beforehand, as these contributions are made independently, and in negotiated exchanges the partners join a joint decision-making process (Molm et al., 1999). A dyad is the simplest form of relationship. In a dyad, both parties control the resources valued by the other actor (Molm et al., 1999). However, social exchanges seldom take place in isolated dyadic structures, exchange systems are usually characterised by competition over scarce resources (Coleman & Coleman, 1994). For example, in the supply chain context, a buyer's relationship with a supplier may mediate the buyer's relationship with valuable third parties (logistics operators, 3 PLs or distributors).

SET is based on the approach that social exchanges are voluntary, and exchanges occur under uncertainty. Thus, there is no guarantee that benefits will be reciprocated in the future or that reciprocation will ensure future benefits (Das & Teng, 2002). This means that non-contractual exchanges leave actors vulnerable to each other, and this is proposed as essential for the growth of trust (Schoorman et al., 2007). Molm et al. (2000) proved that non-negotiated exchanges rely on trust and also create higher levels of trust and commitment than negotiated exchanges. This was explained by the above-mentioned uncertainty. SET is based on the notion of reciprocity, which proposes that actors that give much to others try to receive much from them, and that actors that receive much from others are pressured to give much to them (Gouldner, 1960; Homans, 1961). Reciprocity is a central norm in SET.

The rewards of a relationship can be either intrinsic or extrinsic (Blau, 1986). Extrinsic rewards are considered detachable from the relationship, while intrinsic rewards are created in interaction in a relationship because the relationship itself fulfils the party's needs (Blau, 1986). Intrinsic rewards are the outcome of interdependent responses and produced jointly with another actor (Thibaut & Kelley, 1959). Rewards raise the likelihood of repeated exchanges, and the exchange of rewards creates closeness, stability and continued interaction (Thibaut & Kelley, 1959). The threat of costs increases the likelihood of behaviour that tries to avoid the costs (Homans, 1961) and therefore the threat of costs constitutes a negative reinforcer. Thus, the exchange of costs generates instability in the relationship and eventually terminates the relationship.

SET proposes that three core elements determine exchanges. First, expectations (E) lead to the initiation of an exchange relationship. Second, the comparison level (CL) is the standard that is used to assess the outcome of the exchange, and it creates satisfaction with the relationship if the minimum criteria are reached. Moreover, it explains the effects that previous exchanges have on the actor's level of satisfaction with a relationship. Third, a comparison level of alternatives (CLalt) explains the exchange actors' capabilities to obtain the necessary resources from other relationships. CLalt refers to the lowest level of rewards that an actor will accept without terminating the relationship (Thibaut & Kelley, 1959).

Despite the usefulness of SET, several authors have criticised SET. Here, the disadvantages of SET that are relevant in the light of this thesis are highlighted. Cropanzano and Mitchell (2005, p. 875) saw that difficulties facing SET are systemic, and "the core ideas that comprise SET have yet to be adequately articulated and integrated". They argue that SET constructs have not been entirely defined, and some definitions and formulations of SET are ambiguous, leaving space for various interpretations. Befy (1977) criticised SET as being tautological. He also saw that theory is running ahead of empirical testing. Cropanzano and Mitchell (2005) propose one of the major problems of SET being the lack of information within investigations on the various exchange rules, with most management studies focusing on expectations of reciprocity. The definition of reciprocity remains ambiguous, as "reciprocity has been approached as: (a) reciprocity as a transactional pattern of interdependent exchanges, (b) reciprocity as a folk belief, and (c) reciprocity as a moral norm" (Cropanzano & Mitchell, 2005, p. 876). Moreover, as the majority of the models of SET in the organisational sciences focus on rules of reciprocity, other rules (altruism or group gain) have received only limited attention, and SET explains away almost all altruistic behaviour or motives. One criticism relates to focusing on dyads (Befy, 1977). Even when a third party is involved, the basic framework remains in dyadic exchanges, if compared with, for instance, social network theory. In addition, given the focal role of social exchanges, we know surprisingly little about the process of exchange (Cropanzano & Mitchell, 2005).

2.2 Attraction construct in SET

Attraction as a construct has its roots in SET, and it has a central role in SET, as attraction is considered a driving force of all exchanges (Blau, 1986). Blau (1986, p. 20) described attraction more precisely as: "Processes of social attraction, without which associations among men would not occur, give rise to processes of exchange." According to the approach of SET, attraction is a voluntary association in which actors seek to expand their interaction after interdependence is formed (Blau, 1986).

Although attraction is discussed extensively in SET, the SET theorists have not been able to find agreement on the definition of attraction (Ellegaard, 2012). However, the SET theorists agree that attraction is about a positive attitude (Ellegaard, 2012), and attractiveness includes a forward-looking orientation (Schiele et al., 2012). An attitude can be defined as "a relatively enduring tendency to respond to someone or something in a way that reflects a positive or negative evaluation of that person or thing" (Manstead, 1996, p. 3). Blau (1986, p. 20) argued that *"*an individual is attracted to another if he expects associating with him to be in some way rewarding for himself, and his interest in the expected social rewards draws him to the other.*"* On a more operational level, Homans (1961) and Thibaut and Kelley (1959) explained that the attractiveness of the other actor is determined by the "difference between expected rewards from the relationship and costs of being involved in this relationship". Byrne and Rhamey (1966) presented a more precise definition that has been used in studies of interpersonal attraction: "attraction toward X is a positive linear function of the number of positive reinforcements received from X. One party's attraction is visible to the other and, thus, is perceived by the opposite part as a positive attraction." Actors will continue the exchange because they see the exchange as rewarding. "If both actors are mutually attracted, there will develop a continuous exchange" (Homans, 1961). The same principle applies to the BSRs. A buyer must appear to be an attractive customer to the suppliers that the buyer views as attractive and with which the buyer wants to develop its relationship.

Rewards and costs in business exchange constitute the antecedents of attraction. Reinforcement theory proposes that actors are attracted to those actors that reward them and dislike those that punish them (Homans, 1961). Specifically, intrinsic rewards have an important role in the increase of attraction (Ellegaard, 2012), as in intrinsic rewards, the exchange is considered as an end in itself, and intrinsic rewards produce expectations of enjoyable interactions. In other words, "it is the interactive and reciprocal process of exchanging rewards, the way the rewards are exchanged, and the psychological effects this has on the individual that determine how attracted one individual is to another, rather than the isolated positive stimuli per se" (Ellegaard, 2012, p. 1222). Thus, intrinsic rewards are suggested as a prerequisite for attraction to increase (Ellegaard, 2012). Moreover, providing rewards is a necessity for attractiveness, but it is not sufficient. "Certain attitudinal and behavioral elements have to characterise the exchange before attraction in close relationships can develop ... and the reward receiver must believe that

she/he is rewarded because of a genuine intention of the provider to fulfill her/his needs, rather than merely in the expectation of immediate return of rewards" (Ellegaard, 2012, p. 1222). Hence, this type of altruistic willingness to reward exchange partners forms a basis for attraction to develop in close relationships (Tedeschi & Lindskold, 1976; Thibaut & Kelley, 1959). It signals empathy and concern for the other's well-being and is a prerequisite for continuity in the relationship.

If the expected rewards are positive reinforcement for attraction, costs are suggested to be negative reinforcement (Ellegaard, 2012), costs being stimuli that inhibit the behaviour of individuals (Thibaut & Kelley, 1959).

Attraction is valuable because it generates attraction, as "a person who is attracted to others is interested in proving himself or herself as being attractive to them" (Blau, 1986, p. 20) by "reciprocating and allowing the other to be rewarded for the exchange" (Blau, 1986, p. 20). Attracted partners look for more interaction and also grow the intensity and range of their actions, namely collaboration, in relation to the attractive party. The exchange relationship parties will, with the best available means, try to prove themselves attractive to the other because the chance of associating with the other depends on the other's assessment of their attractiveness (Blau, 1986). Attracted actors also adopt the attitudes, opinions and behaviour of the attractive ones (Kelman, 1961). Ellegaard (2012) proposes that this process develops by continuously delivering rewards, and the exchange relationship then transfers to close collaboration and can advance relational outcomes, such as innovation.

One important argument of SET in the light of this thesis is that an actor's attractiveness is a resource that increases the reward power in a dyadic relationship (Blau, 1986). This creates the ability to influence the other party. Blau (1986) proposes that a party who is attractive in the eyes of another has power in this exchange relationship. This comes from Blau's suggestion that an actor's valuable resources generate attraction, and these valuable resources increase the other actor's dependency. Thus, these form the basis of the reward power in a relationship (Emerson 1972a; Emerson, 1972b). Reward power refers to "control over rewards that affords one actor the capacity to induce otherwise unwilling compliance by the other" (Samuel & Zelditch, 1989, p. 426). Reward power is structurally induced, which means that, unlike coercive power, it does not need to be used intentionally to be effective (Emerson, 1962; Molm et al., 2000). Accordingly, Homans' (1961) research showed that attraction results in the ability to influence the exchange partner, and attraction has been proposed to be a very effective means of influencing the exchange partner's decisions (Cialdini, 1995; Walster & Abrahams, 1972).

Ellegaard (2012) proposes that the characteristics of attraction discussed above generate a notable, strong BSR, which is characterised by commitment, loyalty, durability and flexibility. This kind of relationship is not easily affected by the different kinds of external forces, and the relationship is capable of resolving the disagreements that always arise in BSRs.

As a conclusion, SET proposes that non-contractual, reciprocal effort is preceded by attraction, and mutual attraction leads to a situation in which both partners

make voluntary efforts to reciprocate and remain attractive in each other's eyes. Moreover, attraction generates the ability to influence the other actor, and attractiveness is a resource that increases the reward power in an exchange relationship. **This indicates that the attraction construct would help us to explain non-contractual value creation and influence in buyer-supplier relations**. Moreover, based on SET, the dyadic approach to attraction is important. Firstly, attraction is an attribute of the relationship not of an actor (Emerson, 1962). This means that a buyer is not attractive as such but only to specific suppliers. Secondly, attraction is seen as a force that makes the buyer and the supplier jointly develop their exchange relationship (Hald et al., 2009), and it is important to understand both partners' perceptions. Thirdly, the reciprocity principle emphasises the need for the dyadic approach.

2.2.1 Attraction and relationship value

Attraction as a concept is closely related to relationship value. Cropanzano and Mitchell (2005, p. 875) saw that difficulties facing SET are systemic, and "the core ideas that comprise SET have yet to be adequately articulated and integrated". They argue that SET constructs have not been entirely defined, and some definitions and formulations of SET are ambiguous, leaving space for various interpretations. This is the case between the concepts of relationship value and attraction. Both attraction and relationship value lack generally accepted definitions, which makes it more difficult to define their connection. Relationship value is proposed to refer to the relation between benefits obtained and sacrifices made in a business relationship (Zeithaml, 1988), and relationship value has been defined as, for example, a probability distribution of the net present value of possible relationship outcomes (Hogan, 2001). In this thesis, attraction is defined, following Thibault and Kelley, as "expected rewards minus costs of being involved in a relationship", and attractiveness is defined as having the quality of attracting a partner in a relationship.

However, several characteristics of attraction differ from those of relationship value. First, SET sees attraction as a positive attitude (Ellegaard, 2012). An attitude can be defined as "a relatively enduring tendency to respond to someone or something in a way that reflects a positive or negative evaluation of that person or thing" (Manstead, 1996, p. 3). Halinen (1997, 59), on her turn, sees attraction as "a company's interest in exchange with another, based on the economic and social reward-cost outcomes expected from the relationship over time". Second, although providing rewards is a necessity for attractiveness, it is not sufficient (Ellegaard, 2012): "Certain attitudinal and behavioral elements have to characterise the exchange before attraction in close relationships can develop ... and the reward receiver must believe that she/he is rewarded because of a genuine intention of the provider to fulfil her/his needs, rather than merely in the expectation of immediate return of rewards" (Ellegaard, 2012, p. 1222). Third, attraction is always related to perceptions, and expectations of the future (Blau, 1986; Hald et al., 2009), as value, are more measurable. Moreover, attraction always relates to the

comparison level of alternatives (CLalt), a concept that explains the exchange actors' capabilities to obtain the necessary resources from other relationships (Thibaut & Kelley, 1959). Fourth, the perceived expected value from the relationship is a main component of attraction; however, attraction is composed of three components: perceptions of expected value, trust and dependency (Hald et al., 2008).

Thus, although attraction and relationship value are closely linked, it seems promising to explore attraction interdependently.

2.3 SET in BSR literature

SET is still relatively rarely used in the BSR research. However, recently, SET has attracted growing attention in BSR studies among operations management, SCM and relationship marketing researchers. Examples of studies that have applied SET are Ellegaard (2012), Griffith et al. (2006), Hald et al. (2009), Hald (2012), Harris et al. (2003), Li et al. (2008), Muthusamy and White (2006), Narasimhan et al. (2009) and Young-Ybarra and Wiersema (1999). According to Narasimhan et al. (2009), the small number of studies utilising SET within supply chain relationships is surprising for two reasons. First, SET can improve our understanding of BSRs (Narasimhan et al., 2009), and second, and more importantly, elements of SET are widely used in the models of supply chain relationships (Narasimhan et al., 2009). Furthermore, other significant reasons why the approach of SET applies well to the studies of BSRs have been identified. BSRs are constructed around exchanges of value, and a significant portion of the exchange of value is non-contractual and based on reciprocity. Being uncertain and having unspecified requirements suits the context of a BSR well. Moreover, Dwyer et al. (1987) proposed that the concept of exchange has four conceptual advantages. First, exchange functions as a focal event between two or more actors. Second, exchange offers a valuable frame of reference for identifying the social network that contributes to its formation and execution. Third, the concept of exchange allows for the study of the domain of objects that is transferred. Fourth, exchange as a critical event allows thorough examination of its antecedent conditions and processes for exchange between a buyer and a supplier.

Table 2 presents some of the studies on operations management and BSRs that have employed SET. The table presents the studies that are most interesting from the viewpoint of this thesis. Thus, the purpose is not to cover all the studies in that stream but to give examples of how SET has been applied.

Table 2. Examples of how SET has been applied in supply chain relations

Author	Method and unit of analyses	Findings
Das and Teng (2002)	Conceptual/ alliance	The authors use SET to study alliance constellations and compare how the alliances differ from dyadic relationships. The paper examines, among other things, the role of trust in reciprocity. In alliances in which multiple partners are involved, the exchange and reciprocity are generalised, as in a dyadic relationship they are restricted. Generalised social exchanges occur in groups of three parties, at a minimum, and there is no direct reciprocity among actors. Reciprocity can be challenging in these kinds of constellations because alliance partners do not always reciprocate with one another directly. Development of trust is especially difficult; nevertheless, the need for trust is particularly high in generalised social exchanges. Trust decreases the cost of preparing and monitoring contracts and, importantly, it also encourages the actors to keep the cooperative attitude and exceed the contract when handling uncertainties. In generalised social exchanges, trust grows via an indirect reciprocal process in which partners gain benefits from a particular member and then pay back the favour to a different member. The authors propose that generalised reciprocity can be more efficient in constructing trust than restricted reciprocity.
Griffith et al. (2006)	Survey/supplier-distributor relationship	The authors focus on procedural and distributive justice in relationships between supplier and distributor and their outcomes. Justice is one of the main concepts in SET. Procedural justice refers to the process and the perceived fairness of the process. Distributive justice denotes the perceived fairness of the decision outcome. The authors propose that a supplier's procedural and distributive justice policies influence the long-term orientation of the distributors. If one relationship partner handles the other partner fairly, this partner reciprocates the fairness, and this reinforces the relationship.
Bignoux (2006)	Conceptual	Based on SET, the paper develops a model of planned short-term dyadic strategic alliances. The article first underlines the differences between planned short-term dyadic strategic alliances and other strategic alliances. The partners of a short-term alliance have a clear idea of when they want the alliance to end. The alliance partners share resources for a predetermined time period and split up when the objectives of the alliance have been achieved. Moreover, planned short-term strategic alliances are characterised by restricted social exchanges, not generalised social exchanges.

Muthusamy and White (2006)	Survey/dyad	The paper focuses on the mutual influence between business partners. The authors define the level of mutual influence as the relative degree to which business partners can influence each other's decisions. They argue that alliance members gain a relational capability to influence by repetitively rewarding the other party's cooperation (Blau, 1986). Through informal relations, alliance members can influence the decisions of the other actor and gain more decision-making power than their proportion of equity holdings proposes. The paper demonstrates that mutual influence is positively related to perceived alliance performance.
Narasimhan et al. (2009)	Multi-method conceptual, game-theoretical model with illustrative case of a manufacturing company and its supplier/dyad	The paper applies SET to gain understanding of managing the lock-in situations in supply chains. A BSR is in a lock-in situation when one party is heavily dependent on the other. The authors utilise a game-theoretic model for the lock-in situation and illustrate this with an empirical case. The fundamental proposition is that building co-operation enhances efficiency and effectiveness in a BSR. A supplier's opportunistic pricing strategy can lead to higher returns if the customer company is not able to find a substitute product. However, a cooperative pricing strategy can motivate the customer to end-searching for a substitute solution, which in turn may lead to higher long-term returns for the supplier. Narasimhan et al. propose that the supplier's pricing strategy signals to the customer that the supplier is not going to practise an opportunistic pricing policy.
Zhang et al. (2009)	Survey/a buying situation between a buyer and a supplier	The paper studies the simultaneous effect of buyer-initiated cooperative actions and relational stress on a supplier's reciprocal commitment. The paper demonstrates that the buyer company's co-operative actions enhance the supplier's willingness to invest in technology. Willingness is defined as the supplier's non-contractual, informal commitment. Relational stress may reduce a buyer's efforts to enhance the supplier's informal commitment.
Nieminen (2011)	Multiple case study of manufacturing companies/Dyad	The study focuses on the supplier's relational effort to create value for the customer. The author used SET as a basis for better understanding and explaining this kind of non-contractual value creation. The author defined the supplier's relational effort as: "effort that is dedicated to a specific buyer with a view of creating value and it is not contractually determined" (Nieminen, 2011, p. 2). Based on a multiple case study, Nieminen identified four categories of supplier relational effort as follows: 1) customer-oriented operations, 2) customer-focused internal development, 3) active interaction and 4) joint development. Nieminen also identified five factors that explain the relational effort made by the supplier: 1) good strategic fit and matching expectations, 2) a customer-focused organisational

		culture and clear processes, 3) competence, attitude and motivation at individual level, 4) the attractiveness of the buying company and 5) the current relationship quality and interaction.

SET is a dominant theoretical basis in studies of buyer-supplier attraction, and examples of these studies include Dwyer et al. (1987), Harris et al. (2003), Hald et al. (2009), Hald (2012), Hüttinger et al. (2012), Ellegaard (2012), Schiele et al. (2011) and Ellis et al. (2012). Dwyer et al. (1987) build on the work by Thibaut and Kelly (1959) and propose that attraction plays an important role in starting up and further building the relationship. These authors are among the first to discuss the attraction construct in the context of a dyadic business relationship. Harris et al. (2003) build on the contribution of Dwyer. They review the SET literature, especially the interpersonal attraction literature. The authors remark that attraction has received the greatest attention in SET, and its constructs have been viewed mainly as social. Unlike Dwyer (2012), they believe that SET cannot be transferred directly into the context of business relationships, but the differences between social and business relationships need to be reflected. Hald et al. (2009), which builds partly on the contribution of Harris et al., develop a conceptual model of buyer-supplier attraction by combining the contribution of early SET theorists, i.e. Blau and Homans, and supply chain literature. Ellegaard (2012) studies interpersonal relationships between buyers and sellers, and emphasises the role of interpersonal attraction. Schiele and Krummaker (2011), Schiele (2012) and Hüttinger et al. (2012) take a slightly different approach to that mentioned above and believe that SET theory builds upon three core elements: (1) expectations (E), (2) the "comparison level" (Cl) and (3) the "comparison level of alternatives" (CLalt). These elements can be linked into a cycle of customer attraction, preferred customership and supplier satisfaction. These authors emphasise that companies use not only absolute but also relative criteria to assess the outcomes of a relationship. Ellis et al. (2012) use SET to posit a sequential relationship among buyer behaviour, preferred customers and the supplier's willingness to share technological innovation.

2.4 Pros and cons of using SET in my thesis

Previous studies that apply SET show that SET fits well with the diverse research problems related to BSRs and supply chain management. Section 2.1 presented general advantages of applying SET as well as criticism of SET. Here, the pros and cons of applying SET in this thesis are discussed. In the light of previous investigations, it is clear that academic research would gain much by further applying SET in the field of BSRs. The major advantage of using SET is its ability to explain reciprocal exchanges and value creation. This view of value creation has received increasing attention recently, but research in the context of the buyer-supplier relationship is still scarce. Moreover, SET considers the value of interaction to both parties in a dyad. This is a significant advantage in studies of strategic

BSRs, where the aim is joint value creation. However, most of the previous studies in BSR consider only the viewpoint of one end of the dyad: that of either the buyer or the seller. SET is a rather mature and well-established theoretical approach and provides concepts for analysis. SET also provides the foundations for an elegant, albeit rather simplistic, analysis, and it enables both micro- and macro-level analysis. However, most of the authors applying SET in the context of supply chain relationships have focused on a specific – or narrow – phenomenon by using SET, as with lock-in situations (Narasimhan et al., 2009) or relational stress and the supplier's willingness to invest in technology (Zhang et al., 2009). There would be potential in taking a broader approach to value creation. Significantly, SET's approach to attraction seems to fit well with the purposes of this study, as attraction is a central and well established construct in SET.

I also identified some cons in applying SET. Some definitions and formulations of SET are ambiguous, leaving space for various interpretations, and this also applies to the constructs that I have used in this study, including attraction and the relationship between attraction and reward power. Social exchange theorists have discussed attraction widely, but they have been unable to agree on the definition. The other disadvantage relates to the lack of altruistic rules, which may, nonetheless, exist in relationships, and contemporary research also seems to support the idea that altruistic motives share a place beside other exchange rules. Altruism is a rule whereby we seek to benefit another person, even at an absolute cost to ourselves (Cropanzano & Mitchell, 2005).

2.5 Literature review of value creation and influence in strategic buyer-supplier relationships

In this chapter, the relevant BSR literature is reviewed. The chapter starts with an overview of BSR literature, with a special emphasis on collaborative relationships, which comprises the main body of literature. Then, value creation and influence literature is synthesised. Last, the literature of buyer-supplier attraction and control in buyer-supplier relationships is summarised, as these are central themes of this thesis. The previous literature of both control and attraction is then reviewed in Studies 2, 3, 4, and 5 (Chapters 5-8).

2.5.1 Collaborative BSRs

In the past two decades, the management of BSRs has gained increasing attention. The number of published articles has grown (Terpend et al., 2008), and the challenge of managing complex BSRs has inspired a great amount of research (e.g. Goffin et al., 2006; Lettice et al., 2010; Powers & Reagan 2007; Yang et al., 2009; Wagner, 2011). Contributions can be found in different research streams, such as industrial marketing, operations management, supply chain management, purchasing and supply management, and strategic management.

Relationship between customers and their suppliers vary through a continuum between transactional, collaborative, and hierarchical relationships (Ganesan, 1994; Heide & John, 1990). Transactional relationships are adversarial, and classified by functions that are not critical to the firm (Whipple et al., 2010), and this form of governance is often referred to as arm's length contracting (Rinehart et al., 2004). Adopting hierarchical governance refers to merging. Transaction cost economics theory suggests that by applying hierarchical governance, two companies can avoid the bargaining problem that would hinder adaptation to changing circumstances if these companies remained independent.

Hybrid governance (or collaborative relationships) is an intermediary form of governance and lies between the two ends of the governance continuum (Nyaga et al., 2010). However, it is worth noting that a buyer may conduct a number of transactions with the same supplier over a period of time, and the relationship might still remain at arm's length (Rinehart et al., 2004). Collaborative relationships, in their turn, are perceived to have a long-term and cooperative orientation (Whipple et al., 2010). The suggestion that a firm cannot compete successfully in isolation, but needs to collaborate with other firms in the supply chain, is a key foundation driving collaborative relationships (Whipple et al., 2010).

However, previous researchers haven't been able to agree about definition about collaboration, and other have proposed collaborations as: "voluntary agreements between firms to exchange and share knowledge as well as resources with the intent of developing processes, products or services" (Hoang & Rothaermel, 2005, p. 333), or collaborations are ways for independent firms to cooperatively leverage resources and knowledge held by suppliers and customers in order to plan and execute supply chain operations (Cao & Zhang, 2011). Collaborative BSRs have suggested to need a more strategic role of purchasing, and this in turn might have a positive influence on cooperation with suppliers, as close relationships are maintained with only a small number of suppliers, with which buyer company communicate frequently (Paulraj et al., 2008). For the purposes of this thesis the following definition for collaborative relationships is used: **"A business relationship with a company that supplies goods and/or services to an organisation. The relationship lies within a continuum from transactional to hierarchical. The relationship has a co-operative and long-term orientation (but a long history is not a prerequisite), and includes social exchanges. The relationship is characterised by joint value creation**." In this thesis, a strategic BSR refers to: "**A relationship with a company that possesses resources that are vital for future success. A relationship is based upon joint opportunities and includes a large amount of cooperation in different levels, such as in product, operations, and business development**." Strategic relationships adopt a long-term approach with joint efforts to create unique value that neither partner can produce independently (Terpend, 2008).

The Whipple's definition presented above is based to the explanation of dichotomies drawn from TCE, which is a common – however a bit simplistic way of describing collaboration. Purchasing managers often use two-to-two matrices to classify their suppliers as well as product categories. Peter Kraljic developed a

purchasing portfolio to categorize products in 1983. Although Kraljic's model is over 20 years old, it is still the most dominant model .The idea behind different purchasing portfolios is that n not all BSRs, products or product categories are to be managed in the same way, and the goal of purchasing portfolios is to develop differentiated purchasing and supply strategies (Gelderman & van Weele, 2003). Kraljic's model is constructed as portfolio matrix that classifies products based on two dimensions (low and high): profit impact and supply risk. The portfolio has four categories: bottleneck, non-critical, leverage and strategic items. Each of the four categories needs a unique approach towards suppliers (Gelderman & van Weele, 2003). Strategic relationships can be difficult to achieve in bottleneck or strategic items, as the supplier has power. Other examples of purchasing portfolio models are Olsen and Ellram (1997) and Nellore and Söderquist (2000). Olsen and Ellram's portfolio first classify the products into four categories and then analyses the supplier relationships for the categories based on two dimensions: strength of buyer-supplier relationship and supplier attractiveness.

In her nominal work, Sako (1992) distinguishes between Arm's-length contractual relation (ACR) and Obligational contractual relation (OCR). ACR is defined to involve specific discrete transactions. "An explicit contract spells out before trading commences of each party's tasks and duties in every conceivable eventuality, as far as human capacity of anticipation allows (Sako, 1992, p. 9). The partners are not controlled by the other partner. Seeking a new partner is easy when contract time ends (Sako, 1992). OCR includes contracting which covers the production and trading of goods, and the tasks and duties of partners are negotiated, and spelled out in contracts.. However, it is "embedded in more particularistic social relations between trading partners who entertain a sense of mutual trust" (Sako, 1992, p. 9). There is an incentive to deviate from the contracts, to do more than is expected from the partner. Sako (1992, p. 10) further suggests that "such an incentive results from expectations that act of goodwill will lead to a similar response from trading partner". SET suggests that attraction in relationships motivates the partners to do more than is expected in contracts (Blau, 1984). ACR and OCR differ in two dimensions, namely the degree of interdependence and the time span of for reciprocity. In ACR, there is a low interdependency between partners, while OCR is characterised with high degree of interdependency. In ACR the reciprocity is expected to happen during the contract time, as in OCR the reciprocity may happen in a very long time – if ever (Sako, 1992).

There is an increasing agreement that collaborative business relationships offer considerable opportunities to create competitive advantages and attain remarkable results (Ulaga, 2003). Manufacturers have been reducing the number of suppliers in their supply base, and focusing on deeper relationships with a limited number of key suppliers, and as a consequence, when evaluating their supplier base, customers need to decide when to invest resources in a specific relationship, when to maintain and develop existing relationships, and when to withdraw from underperforming supplier relationships (Ulaga, 2003). The existing of literature is driven by the principle that properly structured, well-functioning BSRs promote improved performance (Monczka et al., 1998). Supplier relationships based

on a long-term orientation enable firms to sacrifice their short-term gains in favour of long-term benefits, and buyers and suppliers have a problem-solving attitude and collaborative bargaining style. These might result in better performance and economic return over the long term (Cannon et al., 2010; Ganesan, 1994). Daugherty et al. (2006) found that firms engaging in collaborative relationships achieve improved visibility, higher service levels, greater end-customer satisfaction, increased flexibility, and reduced cycle times.

On the other hand, although collaborative relationships are suggested to lead to greater benefits than transactional relationships, other studies propose that collaborative relationships have not lived up to expectations (Whipple et al., 2010). As such, collaborative relationships seem to include "mixed signals" — meaning that although collaborative relationships are advertised as beneficial, there is still confusion about how to make a collaborative initiative work properly (Daugherty et al., 2006), and there is insufficient empirical evidence on potential mechanisms that enable companies to improve the effectiveness of key BSRs (Cannon et al., 2010). In the literature, there is only limited understanding of how relationships between buyers and suppliers are initiated and developed, and the relationship-building processes and motivations are still comparatively unexplored (Mortensen, 2012; Wilkinson et al., 2005).

Although previous researchers have promoted the benefits of collaborative BSRs, the dark side should also be mentioned. Villena et al (2011) suggests that building social capital in collaborative BSRs has a positive influence on a buyer company's performance. However, if the building of social capital is taken to an extreme, it not only reduces the buyer's ability to be objective and make decisions, but also fosters the supplier's opportunistic behaviour. Opportunism in relationships is studied massively (by e.g. Jap & Ganesan, 2000; Liu et al., 2009; Tangpong et al., 2010; Yang et al., 2011). One important dark-side is a risk for lock-in situations; lock-in being instances where one party is heavily dependent upon the other party (Narasimhan et al., 2009)

Collaborative relationships are proposed to include two conceptually distinct approaches: 1) direct investments in suppliers to improve suppliers' performance and capabilities (for example, supplier development) (Krause et al., 2007), and 2) relational building to improve co-operation, control opportunistic behaviours, and utilise suppliers' capabilities (Mahapatra et al., 2012). The two approaches can be used alone or simultaneously. The majority of previous authors support the view that trust, commitment, and long-term orientation are important antecedents to successful BSRs (Griffith et al., 2006; Johnston et al., 2004; Monczka et al., 1998). Collaborative relationships require trust and mutual commitment to create value (Day et al., 2013).

One stream of BSR literature, namely supplier relationship management (SRM), emphasises the importance of actively managing supplier relationships. SRM is defined here as "Strategic planning for, and management of, all interactions with suppliers that supply goods and/or services to a company, in order to maximise the value of those interactions. Specifically, SRM entails creating closer, more collaborative relationships with key suppliers, in order to realise new value and

reduce risk." SRM is based on the proposal that suppliers vary in importance (Makkonen & Olkkonen, 2013). Makkonen and Olkkonen (2013) suggest that key and bulk suppliers are distinct supplier categories. With key suppliers, a buyer firm can develop complementary competencies, adapt activities, and develop the relationship towards collaborative value co-creation. With bulk suppliers, the interaction is sustained at greater distance in order to develop competition between suppliers and maintain the competitive pressure. Previous studies have demonstrated that better management of supplier relationships enhances firm performance (Moeller et al., 2006). However, the majority of BSR studies do not specifically contribute to the management of suppliers, and the number of SRM-specific studies is small. These focus mainly on the technical tools that facilitate interaction between buyers and suppliers, or other the operational questions, such as cost, quality, and the measurement of supplier performance (Makkonen & Olkkonen, 2012). Thus, previous studies do not enable the understanding and conceptualisation of SRM as intentional managerial activity (Moeller et al., 2006), and when exploring SRM, we would need a more comprehensive perspective of SRM as an aspect of organisational behaviour and value creation (Pardo et al., 2011).

2.5.2 Value creation in BSRs

In order to be acceptable, a business transaction needs to create value for both partners in either the short run (in relation to the individual transaction), or in the long run (in the overall relationship) (Ritter & Walter, 2012). According to Anderson (1995, p. 349), "value creation and value sharing can be regarded as the raison d'être of collaborative customer–supplier relationships." The commonly agreed view is that business markets can only be understood by employing the concept of value. It is critical for companies to understand the mechanisms and means of value creation, given the fundamental nature of value. The problem is that existing theoretical knowledge regarding value creation is still fragmentary (Ulaga, 2003), and value creation continues to be a difficult phenomenon to conceptualise (Mortensen, 2012). Furthermore, Lindgreen et al. (2012) have proposed that understanding strategic, collaborative BSRs is essential in the understanding of value creation between companies.

Previous authors have adopted various perspectives in studying value (Corsaro et al., 2012; Kähkönen & Lintukangas, 2012). Baxter (2009, p. 22) highlights that the concept value "has quite different meanings". Although the term relationship value seems to lack a commonly agreed definition (Lindgreen & Wynstra, 2005; Walter et al., 2001), some aspects of value creation seem to be agreed upon, and can be summarised as follows. Relationship value is proposed to relate to the relation between benefits obtained and sacrifices made in a business relationship (Zeithaml, 1988). Some authors define value in business relationships only monetarily (Anderson et al., 1993), while other authors employ a wider definition, comprising also non-monetary revenues, such as social rewards, competence, and market position (Hald et al., 2009; Ulaga & Eggert, 2005; Wilson, 1995). Value needs to be combined or transformed in order to be pertinent to a party (Ramsay,

2005; Walter et al., 2001). Additionally, the value of a specific relationship may only be achieved when it can be connected to other aspects; the strategy of a firm and the presence of other relationships (Ritter & Walter, 2012). Smals and Smits (2012) present an example of a relationship that brings no value to the supplier at this time. Nevertheless, the supplier could use this relationship with a buyer as a strategic facilitator to access new markets in the future, for instance by developing a new product for this customer, and this can later be offered to other potential customers. Thus, the value of the relationship for the supplier is mainly not in the present financial value, but it lies in the strategic bridging function (see also Walter et al., 2012; Ritter & Walter, 2012).

Value creation has been classified in various ways. Lindgreen and Wynstra (2005) categorised the various approaches of value as: a) value from goods and services, and b) value from buyer-supplier relationships. In product value, the emphasis is on the exchange object, as value from the relationship emphasises a holistic interaction. The academic contribution has recently progressed in acknowledging the value in a business relationship context (Palmatier, 2008: Ulaga & Eggert, 2006), and the substantial rewards over relationship costs in the creating value (Ulaga & Eggert, 2006). Relationship value is measured by joint outputs reinforced by collaboration, where the nature of the interaction between the supplier and buyer is vital (Grönroos & Helle, 2010; Grönroos, 2012; Lindgreen et al., 2012).

The value in a BSR can also be categorised as the value for each partner, meaning customer value and supplier value, and for the dyad jointly (joint value), but also as the value achieved via connections with additional links in the supply chain (Hald et al., 2009). The main body of research of value creation is focusing on the customer's value (Walter et al., 2001). The ability to provide exceptional value to customers has been seen as a prerequisite when aiming to develop and maintain long-term customer relationships (Ramsay & Wagner, 2009). Suppliers will only be competitive and succeed if they offer more value than their competitors (Walter et al., 2001; Woodruff, 1997). However, the supplier also needs to achieve benefits from the customer (Walter et al., 2001). To succeed in the market, suppliers need to know how value can be created through relationships with customers, and accordingly customers need to understand how they can create value for the suppliers. Interest in the supplier's perception of value has risen recently, and has been discussed by, for example, Walter et al. (2001), Ramsay and Wagner (2009), and Smals and Smits (2012). Thus, both ends of a dyadic BSR seek and perceive different sources of value (Nyaga et al., 2010; Pardo et al., 2006). This suggests that, to maintain both partners' commitments, a joint understanding of relevant value for both is needed (Werani, 2001). This is in line with the recently developed approach that a company should not only make itself attractive to its customers, but also to its suppliers, to enhance the suppliers' motivation to invest resources in the relationship (Mortensen, 2012). Joint value creation arises from mutual activities by the buyer and supplier companies. However, only in progressive dyads is the role of joint value creation recognised (Zajac & Olsen, 1993).

Traditionally, value for the customer and value for the supplier are mainly studied as separate phenomena (Grönroos & Helle, 2010). However, modern marketing research has increasingly moved away from this approach, and currently sees value as a jointly created phenomenon that arises through interaction and integration of resources in a relationship (Grönroos & Helle, 2010; Vargo & Lusch, 2008). While understanding the relationship value seems to be critical, managerial focus tends to move towards the drivers of value and, in turn, towards means of enhancing a customer's perception of the value (Ritter & Walter, 2012).

Several studies have linked power imbalances and value creation, as most business relationships are power-imbalanced. Cox (2004) suggests that the more powerful party seems to seek and expect an uneven portion of the surplus value from the business relationship (Cox, 2004). On the other hand, the dynamics of power between customers and suppliers influence the possibilities and tactics for value co-creation (Hingley, 2005). Lindgreen et al. (2012, p. 210) argue that "this does not mean that power is always a negative force, and weaker parties (usually suppliers) have a way of living with powerful ones (usually buyers) and, as above, may see power trade-off as a sacrifice for reduced transaction costs derived from regular business with a more powerful party and regular (although as the weaker party, lesser) returns derived from relationship value". Thus, the continuity of the relationship, trust, and commitment are important in BSRs, not only the creation of value (Morgan & Hunt, 1994). The issue of relationship power is part of the context of the debate over creation of value in a supply chain and network framework, as identified in, for example, Duffy (2008) and Cox (2004).

Moreover, an increasing number of authors have coupled different streams of literature, including supply chain management and relationship literature, with marketing and value-creation literature, and this has generated a more holistic view of value across several actors, and provides useful practical knowledge (Lindgreen, 2012).

2.5.3 Influence in BSRs

Firms have a need to influence their supply chain partners if they hope to reach their strategic goals, especially in complex BSRs. Using influence to affect a business partner's decisions might be one of the most obscure aspects of managing BSRs (Ulaga & Eggert, 2006). Influence strategies are named to be 'compliance-gaining tactics' and applied to persuade the counterparts to take the desired actions (Cheng et al., 2012). Most previous studies related to influence in supply chains have focused on the relationship between influence strategies and power (Caniëls & Gelderman, 2007; Hu & Sheu, 2005; Kale, 1986), satisfaction (Lai, 2007; Sanzo et al., 2003), and solidarity (Kim, 2000). One widely studied example of influence is supplier development (Handfield et al., 2000; Krause et al. 2007; Liker & Choi, 2004; Modi & Mabert 2007). Supplier development studies have focused on situations in which a buyer company utilises its power and competencies to improve the operations and performance of its suppliers. However, supplier development programmes are usually planned from the buying firm's perspective

and focus on improving the short-term capabilities, instead of focusing on the improvement of the suppliers' long-term capabilities (Krause et al., 2007; Mortensen & Arlbjørn, 2012; Mortensen, 2012). Nevertheless, the task of influencing suppliers is related to, but broader than, supplier development.

Although the choice of influence strategies has proved to have an important effect on the business relationship (Boyle & Dwyer, 1995; Frazier & Rody, 1991; Kumar, 2005), there are only a limited number of influence strategy studies in the supply chain management literature (Gelderman et al., 2008). Influence strategies are defined as "means of communication in that a source firm attempts to change or modify a channel partner's behavior" (Chang et al., 2012, p. 850). Various forms of influence strategies differ in the degree of coerciveness linked to the influence. Coercive influence is defined as the "application of direct pressure through communicating adverse consequences of non-compliance to encourage specific behaviors" (Frazier & Rody, 1991, p. 54). Non-coercive influence seeks to change behaviour by proposing positive outcomes from compliance (Frazier & Rody, 1991). However, as previous studies are conflicting, the role of influence in motivating business partners to a specific behaviour or performance seems to remain unclear (Hausman and Johnston 2010). It has been proposed that power-centred control is not effective in utilising the partners' skills or knowledge that are socially embedded (Inkpen & Beamish, 1997). Accordingly, Hausman and Johnston (2012) showed that non-coercive influence produces cooperation and compliance through trust and commitment. Moreover, even though companies may apply similar influence strategies to all of their relationships, not all suppliers will react consistently (Chang et al., 2012).

Muthusamy and White (2006, p. 811) suggested that "mutual influence manifests as forbearance and power sharing, and may be more effective than ownership or formal management controls". Thus, Muthusamy and White (2006) argue that the mutual influence serves as an effective norm of governance between business partners, and thus improves the efficiency of collaboration. This relational approach to influence is suggested to be an effective strategy for managing business relationships (Subramani & Venkatraman, 2003). According to this relational approach, managers can gain influence by taking into consideration a partner's concerns in their decision-making process, and providing resources in the form of technical support or managerial expertise (Muthusamy & White, 2006).

Regarding influence in BSRs, a number of recent studies emphasise that buying companies need to consider the motivation of the supplier if they want to influence the supplier's decisions and guarantee that the supplier is willing to implement the development activity proposed by the buyer (Christiansen & Maltz, 2002; Schiele & Krummaker, 2011). The buying company most capable of integrating the supplier's perspective into development activities will have the best ability to influence and motivate the supplier through development initiatives, thus exploiting the value potential of the relationship (Ellegaard et al., 2003; Mortensen et al., 2008; Ramsay & Wagner, 2009; Schiele & Krummaker, 2011; Nagati & Rebolledo, 2013). Mortensen and Arlbjörn (2012) link customer attraction to a supplier's willingness to participate in supplier development activities. Liker and Choi (2004)

have elaborated how Honda benefits greatly from its suppliers by listening to their ideas, by showing genuine empathy for their suppliers' problems, by practising fairness in target pricing, and by consulting with suppliers when setting performance standards.

IMP researchers have also shown interest to influence. This work is based on Håkanson et al's (1976) work on influence tactics. Moreover, IMP group has approached influence through the concept of adaptation (see e.g. Håkansson, 1982), and propose that adaption is, is an essential condition for the existence of a "partnership", the main research focus being the outcome of adaptation behaviour within relationships (Borders, 2006).

Although influence as a construct is studied in various streams of literature, the number of studies in the BSR context is limited. A large number of studies, especially related to power, are closely linked to influence. However, the BSR literature would benefit from more studies implicitly investigating influence on the buyer or supplier.

2.5.4 Non-contractual value creation

Social dimensions of value creation and influence have recently received increasing interest among researchers in the field of BSR. This is based on a notion that, in collaborative BSRs, value is created via interaction in a relationship, and involves a large amount of unspecified obligations (Nieminen, 2011). Thus, a negotiated contract is not enough, and is a limited instrument in trying to achieve all the potential benefits from the relationship (Nieminen, 2011). This is particularly relevant in strategic BSRs, which include a large amount of cooperation, for instance in product, operations, and business development, and where it is also important for one or both parties to influence the other party's decisions. As a term, non-contractual value creation, although commonly used in SET, is not widely used in the context of BSRs. SET also uses the term reciprocity (reciprocal exchange) to describe non-contractual value creation (Molm, 1997). In BSR literature term social aspects (Schiele, 2011) is also used.

The authors with this view highlight that firms also need to think about the motivation of the business partner, to ensure that they are willing to improve the relationship (Mortensen & Arlbjørn, 2012; Ramsay & Wagner, 2009), and emphasise the partner's voluntary actions. Both trust and commitment are named as important tenants (Kingshott, 2006). Buyer-supplier attraction, customer attraction, and the preferred customer are the large themes within this stream of literature, and are discussed in the following section.

In conclusion, when examining the existing literature on value creation and influence in BSRs, areas in need of further research can be identified. First, although the benefits of collaborative relationships have been demonstrated by previous authors, there is limited knowledge about what the mechanisms are behind collaboration, and what makes a business partner collaborate – or create value in the relationship. Social dimensions of exchange have been proposed to be important in collaboration, but there is still a need for further investigation.

2.5.5 Attraction in BSR literature

Attraction in BSR literature is reviewed in Studies 2-4. Here, some important issues, in the light of this thesis, are highlighted here. Attractiveness in BSRs has two viewpoints: 1) the attractiveness of the buyer as perceived by the supplier (namely customer attractiveness), and 2) the attractiveness of the supplier as perceived by the buyer (namely supplier attractiveness) (Ellegaard & Ritter, 2007). These two viewpoints are theoretically independent; however, they may be highly connected with each other (Ellegaard & Ritter, 2007). Moreover, attraction is related to perceptions, thus is "in the eye of the beholder", meaning that customer attractiveness is determined by the perceptions of the supplier, and vice versa (Ellegaard, 2003; Hald et al., 2009). It has been proposed that success in influencing a supplier's decisions and resource allocation by being an attractive customer is dependent on the supplier actor's perceptions (Ellegaard, 2004). This has important implications for empirical research, as it indicates that customer attraction needs to be investigated from the supplier, and vice versa. Attraction has been studied on company and interpersonal levels, as company-level studies dominate the context of BSRs (Ellegaard, 2012).

The importance and benefits of the attractiveness construct originate from SET, and have been well established by previous authors in the context of BSRs. Halinen (1997) highlights the importance of the attraction construct, because it adds a forward-looking orientation to relationships. Hald et al. (2009) argue that attraction is a force that fosters voluntarism in relationships. Mortensen et al. (2008) see attraction as a mechanism that urges both the buyer and the supplier to jointly develop a relationship, and that the rationale of being an attractive business partner is to establish the ability to manage and boost value creation. Originating from SET, attraction helps to explain why relationships are initiated and developed (Harris et al., 2003; Thibaut and Kelley, 1959). Some level of attraction is an essential prerequisite for the initiation of interaction, while ongoing attraction influences whether parties are motivated to maintain and develop a business relationship (Dwyer et al., 1987; Halinen, 1997). Recently, "attractiveness as a customer" has been identified to be important in getting the attention and resources of the best suppliers, and in ensuring that they are willing to contribute to their customer competitiveness (Nollet et al., 2012; Schiele, 2012). Moreover, if the supplier perceives the customer to be attractive, it motivates the supplier to contribute with innovation, as Schiele et al. (2011) demonstrated.

Previous researchers have agreed that in business relationships, attraction is related to expected economic and social reward-cost outcomes over time (Halinen, 1997; La Rocca et al., 2012). Attraction is considered to be strongly affected by expectations of the future (Mortensen, 2012). Ellegaard (2012, p. 1221) argues that "the most significant antecedent of attraction is the net perceived reward obtained by one individual from interaction with another". However, according to Ellegaard (2012), the interactive and reciprocal process of exchanging rewards, meaning the way the rewards are exchanged, defines how deep the attraction is in the relationship.

Attraction has been studied by applying different approaches. Mortensen (2012) argued, based on an extensive literature review, that many previous authors (for instance, Fiocca, 1982; Olsen & Ellram, 1997) apply the attraction construct from its generic definition, and not as the phenomenon proposed in SET, which explains the initiation and development of relationships or influence over the other party's motivation (Blau, 1986). Huttinger et al. (2012,) in turn conclude that the literature concerning the antecedents of customer attractiveness is immature. Moreover, Hüttinger et al. (2012, p. 1196) saw that there "appears to be an overall lack of awareness and attention to the concept of customer attractiveness in a business-to-business context and, as each previously published article has concentrated on different aspects, this research field lacks an overview of the drivers of customer attractiveness".

Previous authors have not found agreement on the definition of attraction in the BSR context (Mortensen, 2012). This study adapts the approach of early SET scholars, and following Blau (1986) and later Hald et al. (2009), labels the force that pushes the buyer and supplier together in a dyadic relationship as "attraction". Following Homans' (1961) proposition, attraction is defined as "expected rewards minus costs from the relationship". According to SET, "rewards" are synonymous with positive reinforcement, but they have a further meaning of being socially administered (Emerson, 1976). The rewards can be either intrinsic (i.e., the pleasure of being with someone) or extrinsic (i.e., a good or service that someone can provide) (Blau, 1986). The costs of being involved in an interaction can include one or more of the following: investment costs, opportunity costs, the actual loss of a material resource, or costs intrinsic to the behaviour itself (Molm, 1997). The opportunity cost relates to the "rewards foregone" from behaviour the actor has not chosen, or from alternative partners. Investment costs refer to acquiring certain kinds of resources. The party experiences the actual loss of a resource when material resources are exchanged. Costs intrinsic to the behaviour refer to the cost relating to performing a certain exchange, such as pain or fatigue (Molm, 1997). Furthermore, attractiveness is defined as having the quality of attracting a partner in a relationship.

Attraction has been described as a dynamic concept. Harris et al. (2003) suggest that attraction is judged continuously, and as such influences the nature of the relationship as it develops. This happens as changes occur in the relational knowledge of each partner (Harris et al., 2003). Accordingly, Ellegaard et al. (2003) argue that attraction in BSR changes over time. Dwyer et al. (1987) explain the different stages of relationship development by using attraction as an exploratory element.

During recent years, customer attractiveness has received increasing attention; that is, buyers endeavour to get the best resources from suppliers by attempting to become more attractive to suppliers (Schiele et al., 2012). The key idea is that firms are competing not only in the sales market but also in the supply market, and first-class suppliers are in short supply (Cordon & Vollmann, 2008). This approach, and customer attraction as a concept, is new within business relationships (Schiele & Krummaker, 2011). Schiele et al. (2012) identify two crucial motives that may

have driven the intensification of research: 1) a major trend in companies to allocate an increasing amount of responsibility to suppliers, which has happened together with 2) supplier scarcity, meaning a reduction in the number of suppliers in many business-to-business markets.

Previous researchers have framed multiple constructs that are linked to buyer-supplier attraction and to customer attraction in particular, such as supplier satisfaction, the preferred customer, procurement marketing, and reverse marketing. The idea of "reverse marketing" arose more than two decades ago, in the work of Leenders and Blenkhorn (1988). In reverse marketing, the buyer is described as the active party who aims to market their company to suppliers (Blenkhorn & Banting, 1991; Leenders & Blenkhorn, 1988). Wynstra et al. (2003) conclude that the buying company should actively try to become an interesting customer. Ramsay and Wagner (2009) define the concept of 'supplier value' and propose that it can be used as the basis of common terminology in customer selection and responsiveness in suppliers' decision-making. In their study, Ramsay and Wagner (2009) identified a group of elements in buyers' purchase offerings, behaviours, and characteristics, which suppliers see as important: efficiency, finance, overall trading relations and communication, technology, ethical behaviour, risk and uncertainty, corporate image, and market linkages. Hansen et al. (2008) found that information sharing, flexibility, and corporate reputation have a strong influence on customer perceived value (CPV). The advantage of attraction, compared to these terms or constructs, is that it has a sound theoretical base, namely SET.

In conclusion, the importance of the construct of attraction is formed by previous authors, but empirical studies of attractiveness are scare, and especially the number of dyadic empirical studies of attraction is limited. Thus, there is a need for further empirical exploration. Attraction is a dynamic concept, having different roles in different phases of a relationship, and I see that it also needs to be investigated in these different phases. Some previous researchers (for instance, Schiele et al., 2012) suggest that customer attraction is especially important in the early stages of a relationship. Many recent authors discuss attraction in connection with preferred customer status. Although getting preferred status is important, the approach of this thesis is, as based on SET, that attraction is important in strategic, collaborative relationships where the customer already has "a preferred status", as attraction plays a focal role in explaining influence and value creation. Based on a literature review, it can be argued, that research on attraction in long-term collaborative relationships is still scarce and lacks empirical evidence, and thus needs further investigation. Moreover, as attraction is an attribute of a relationship, there is a need for dyadic exploration of attraction.

2.5.6 Control in BSRs

Control in BSRs is reviewed in Study 5 and only summarised in this section. Control has commonly been considered as a main governance mechanism in BSRs. Much of the recent research on business-to-business relationships has relied on the theoretical notion of governance (Heide, 2003). Control in supply chain rela-

tionships has been linked to improving relationship performance (Nieminen, 2011). Control can be regarded from various perspectives. This study refers to it in a behavioural sense, as attempts to motivate partners in a BSR to make an effort and achieve chosen objectives (Stouthuysen et al., 2012). When applied with this approach, control is seen dyadic, with the controller (the party exercising control, often the buyer) and the controlled (the target of control, often the supplier) (Stouthuysen et al., 2012).

The most dominant theoretical basis of control in BSRs is transaction cost economics (TCE). The general proposition of this literature is that managers align the governance features of business-to-business relationships to match exchange hazards, especially those associated with specialised asset investments, difficulty of performance measurement, or uncertainty (Williamson, 1985). TCE sees vertical integration as a means to reduce opportunistic behaviour in the case of specific assets (Anderson & Weitz, 1986). Williamson (1985) defines opportunism as self-interest of a strategic (i.e., secretive, deceptive, or guileful) nature, undertaken to redirect profits from vulnerable partners. Opportunism includes a wide range of specific behaviours, such as shirking, bargaining, failing to fulfil obligations, and holding back valuable information (Grossman & Hart, 1986; Williamson, 1985). The main exchange attributes that facilitate opportunism are uncertainty and transaction-specific assets (Grossman & Hart, 1986). Assets are considered to be transaction-specific to the degree that they generate more value in a considered relationship than in their next-best "reservation" use (Carson et al., 2006). In the absence of vertical integration, a company is able to safeguard specific assets by acquiring vertical control over the exchange partner, based on mutual commitment (Heide & John, 1992; Powell, 1987). This approach utilises the control advantages of vertical integration without the inflexibility of a bureaucratic administrative structure (Heide & John, 1992; Jap & Ganesan, 2000).

Despite the significant insights created by TCE research, findings have been inconsistent (Poppo & Zenger, 2002). These inconsistent findings lead to a proposal that the TCE approach may be too narrow to sufficiently account for how companies choose formal or social control in business-to-business relationships. This approach recognises that, in many settings, managers engage in complex, collaborative relationships that involve high levels of asset specificity and that are characterised by other known hazards (Poppo & Zenger, 2002). Besides TCE, SET, social network theory, and the institutional view, among others, have been proposed to provide beneficial insights on the adoption of control mechanisms in business-to-business exchanges (Li et al., 2010).

The majority of body of literature on control in supply chains focuses on control mechanisms, for example following Fryxell et al. (2002); Jap and Ganesan (2000); Li et al. (2010); and Lumineau and Henderson (2012). Most of the previous investigations have mainly studied the role of individual control mechanisms (Jap & Ganesan, 2000) and the focus has been on the antecedents of the control mechanism (Jap & Ganesan, 2000; Li et al., 2010; Stump & Heide, 1996). Control mechanisms are defined as structural arrangements deployed to regulate business partners' behaviour. Jap and Gansean (2000) view control mechanisms as safe-

guards that firms use to govern business-to-business exchanges, minimise exposure to opportunism, and protect specific investments. Two categories of control mechanisms have been identified: (1) formal control, which relies mainly (but not exclusively) on explicit contracts, and (2) social control (or relational forms, relational governance), which primarily relies on informal methods, especially trust (Dyer & Singh, 1998; Kumar et al., 2011).

The following transaction cost factors have been identified as antecedents of control mechanisms: environmental uncertainty, asset specificity, and behavioural uncertainty (Heide & John, 1992; Poppo & Zenger, 2002). Formal control mechanisms have been proposed to improve cooperation and decrease opportunistic behaviours (Carson et al., 2006), because explicit contracts specify the roles and responsibilities of the relationship partners, and determine the deliverables and the processes needed to resolve unforeseen problems (Argyres & Mayer, 2007). Inter-organisational trust is a primary foundation of social control (Carson et al., 2006; Stouthuysen et al., 2012). Previous scholars, when discussing social control, have used multiple terms, such as "self-enforcing agreements" (Dyer & Singh, 1998), "social control" (Li et al., 2010), and "psychological contracts" (Kingshott, 2006), or "informal governance" (Mesquita & Brush, 2008) and relational norms. Mesquita and Brush (2008) define social control as a set of informal norms that influence the behaviour of partners in interaction. Social control mechanisms can take a form of participatory decision-making, joint problem solving, systematic information exchange, and fulfilment of promises (Fryxell et al., 2002; Luo, 2002). Trust and its underlying normative behaviours have been suggested to work as a self-enforcing safeguard that is a less costly and more effective alternative to both contracts and vertical integration (Hill, 1990; Uzzi, 1997). The application of social control mechanisms has been suggested to improve flexibility and efficiency in BSRs, because problems are more likely to be openly identified and resolved (Li et al., 2010). Some authors suggest that formal control and social control mechanisms are substitutes for each other (Uzzi, 1997), and others see formal and social control mechanisms as complementary (Luo, 2002; Mesquita & Brush, 2008; Poppo & Zenger, 2002). The reasoning behind the argument that formal and social control are substitutes is as follows: trust-based social control governs business-to-business exchanges effectively (Uzzi, 1997), and formal control mechanisms have high contracting costs. Thus, if trust between partners is sufficiently deep to support social control mechanisms, the combined use of formal and social control mechanisms is barely economical. Some studies see social and formal control mechanisms to be complementary (Luo, 2002; Poppo & Zenger, 2002; Zhou et al., 2008). A good contract gives a legal framework guiding the cooperation, and social control mechanisms may resolve the inherent limitations of formal controls (Li et al., 2010). Because it is not possible to specify all future contingencies, there is a risk that contracts will not be able to maintain the continuity of cooperation when unexpected disturbances arise (Uzzi, 1997). Given that the application of social control nurtures bilateralism and offers flexibility, social control may interact positively with formal control in explaining cooperation performance (Li et al., 2010; Luo, 2002; Narasimhan et al., 2004; Poppo & Zenger, 2002). It has

been suggested that relationship length and stage have an effect on the suitability of different control mechanisms. For instance, Heide and John (1992) saw that, in the early stages of a relationship, norms may not be entirely established, and therefore a buyer's ability to practise vertical control is limited.

Control has also been divided into "ex ante" and "ex post" control (Carson, 2007). Ex ante usually relates to contracts, and typical ex post control typically focuses on monitoring, reporting requirements, and influencing decision-making. Carson (2007) studied the outsourcing of creative tasks, namely product development, and emphasises the advantages of using ex ante control to govern highly creative tasks.

This thesis adopts the approach suggested by Heide and John (1992). They use the term vertical control, and define it as the buyer's control over the supplier's decisions. In other words, the buyer has control, or can influence the decisions, over processes that would otherwise be part of the supplier's domain in basic market transactions.

Although control includes dyadic interactions, most of the previous studies have looked only at the buyer's (controller's) perspective (Stouthuysen et al., 2012). As a conclusion to the literature review, it can be noted that a dyadic exploration of control contributes to our understanding of value creation and influence.

3. Research design

This chapter describes the empirical research context and the research methods for data collection, and evaluates the quality of the research. The data analyses are introduced here, but more detailed descriptions of the data analyses are described in the respective studies. The research process of this study follows the model presented by Stuart et al. (2002 p, 420), and applies multiple case method. The research started with an extensive literature review, and then discussions were held with both academics and practitioners and to achieve more understanding of the topic. The choice of method was based on the research questions. According to Voss et al. (2002), the research questions and constructs may evolve during the process, and the constructs may be modified, advanced, or abandoned. Accordingly, Yin (2013) explains the case-study protocol to be a linear but iterative process. Following this advice, my research process was iterative, as the questions were modified during the research process to obtain more focused objectives. The data were analysed based on the research questions of the theses, and propositions, conclusions, and implications were developed.

This research was designed to study non-contractual value creation and influence in buyer-supplier relations. Based on the identified gaps in the literature, the following research questions were formulated.

Question 1: How do the social mechanisms affect value creation in strategic BSRs as proposed by SET? Although previous literature has demonstrated that long-term collaborative relationships are a source of competitive advantage, the mechanisms behind collaboration and value creation are not sufficiently researched and understood (Cannon et al., 2010).

Question 2: How does attraction affect value creation in strategic BSRs? Buyer-supplier attraction plays a focal role in explaining influence and value creation in long-term collaborative buyer-supplier relationships. This approach is based on SET and suggests that buyer-supplier attraction generates a reciprocal process where each partner, to prove itself valuable to the other partner, voluntarily invests effort in the relationship. Although the importance of attraction has been proved by previous studies, the in-depth empirical studies remain sparse (Ellegaard, 2012), and we don't have enough understanding of the role of attraction in value creation

Question 3: What explains the control boundaries of a firm in strategic BSRs? The success of joint value-creation in buyer-supplier relationships depends partly on effective control. The ability to affect the resources that are located in other firms in the supply chain is critical for of a company. Control is related to attempts to motivate relationship partners to work to achieve designated objectives (Stouthuysen et al., 2012). The previous studies of control in supply chains have mostly studied the adoption of formal control, social control, or both, and to the relationship between formal control and social control (Li et al., 2010). This study adds to the previous literature by providing explanations for the control boundaries in strategic buyer-supplier relationships.

This thesis builds on the results from five separate studies. The five studies are reported in Chapters 4-8. These studies are also designed to stand alone, thus there is some repetition. The method description presented in this chapter is not repeated in studies. The rest of this chapter describes the method used in these case studies, and the development of measurement instrument and case descriptions.

The choice of method was based on the types of research questions, as suggested by Yin (2013). Selecting methods "without attention to their implicit assumptions and coherence with theoretical aims risks incoherent conclusions or falling into the trap of brute empiricism" (Dubois & Araujo, 2007, p. 179). The multiple case-study method was chosen because of the nature of the research questions, to be able to make good use of the advantages of the method, and as there was a lack of frameworks that would offer explanations to the research questions of this thesis. The case-study method enables the question of what, how and why to be answered through understanding of the complexity and nature of the phenomenon in question (Voss et al., 2002)

A case study is an empirical inquiry that "investigates a contemporary phenomenon within real life context when boundaries between phenomenon and context are not clearly evident and in which multiple sources of evident are used" (Yin, 2013, p. 23). Case studies can be used for different purposes in the research; to explore, to describe, to explain, and to predict (Yin, 2013). Case studies enable exploration of phenomenon with little pre-existing theory, and help create frameworks by using data collected through direct interaction with subjects of interest (Yin, 2013). Eisenhardt (1989) sees that case studies have the potential to capture the dynamics. Case studies enable the "study of a contemporary phenomenon, which is difficult to separate from its context, but necessary to study within it to understand the dynamics involved in settings" (Halinen & Törnroos, 2005, p. 1286). Other benefits of this method include, according to Miles and Huberman (1994), causality assessment, flexibility, holism, richness and the possibility of locating meanings of natural setting. As Stuart et al. (2002) suggested, the scarcity of theory and the complexity of the studied phenomenon, combined with the lack of well-supported definitions and metrics, justified the choice of method.

The level of analysis of this thesis is the relationship between buyer and supplier at the firm level. In SET, "actors who engage in exchange can be either individ-

ual persons or corporate groups acting as single unit (e.g., business corporations)", and these two are "assumed to be analytically equivalent only when groups act as a single actor" (Molm 1997, p. 13).

The thesis adapted a dyadic approach, as social exchanges are reciprocal in nature, and the unit of analysis in SET is a relationship between actors. The aim was to collect rich data, including the perspectives from both ends of the dyad. Wilson (1996) has advised researchers studying BSRs to apply methods that include data collection at both parties of the dyad and John and Reve (1982) note that measures got from one end in a BSR do not offer a valid assessment of dyadic relationships. Oosterhuis et al. (2013) argue that BSRs should not be approached as homogeneous entities as firms in a BSR differ with respect to their perceptions of key issues in that relationship. Thus, the dyadic approach of this thesis helps in enhancing our understanding of whether and how buyers and suppliers share perceptions of their relationships. Moreover, Terpend et al. (2008) call for more dyadic studies. In their literature review, they found that only 6 of 151 articles about BSRs were dyadic.

The thesis utilises multiple informants from different parts of the firms. Organisations are pluralistic, divided into subcultures (Hald, 2012). Voss et al. (2002) also recommend it should be considered to interview multiple informants in a firm when a phenomenon being studied may have different perspectives. By asking a number of people the same question, the reliability of the data can be improved (Voss et al., 2002). Many BSR and supply chain investigations simplify dyads, and do not take into account the possibility that different sub-units inside one company might have different perceptions of the other partners (Hald, 2012). Having multiple informants from different parts of the companies gives a comprehensive picture of the studied BSR. This is especially important in collaborative, strategic BSRs, where there are many contact points.

The thesis adopts the principles of theory-building based on case studies. Theory-building is defined as the process through which investigators try to make sense of the observable world by categorising, conceptualising, and ordering relationships among observed elements (McCutcheon et al, 2002). In the research design and analysis, the principles of Eisenhardt (1989), McCutcheon et al. (2002), and Yin (2009) are followed.

The unit of analysis is a dyadic buyer-supplier relationship. The thesis explores six relationships, including two buyer companies and six suppliers. The following sections discuss sampling and data collection in detail. Data analysis is presented in more detail in the respective studies.

3.1 Case selection and sampling

The cases were selected on the basis of two principles: theoretical sampling (Eisenhardt, 1989; Miles & Huberman, 1994) and access to data. Theoretical sampling means that cases are selected because they are specifically suitable for explaining relationships and logic among constructs (Eisenhardt & Graebner,

2007). Normally, in multiple case studies, four to eight cases constitute an appropriate number for theory-building purposes (Eisenhardt, 1989). If there are fewer cases, the study might suffer from a lack of generalisability, but if there are too many cases, the researchers would not be able to process the amount of qualitative data (Eisenhardt, 1989). This thesis ended up with six cases, which were studied in-depth. The buyer-supplier dyads were selected on the grounds that they would be particularly suitable for shedding light on the research questions: the aim was to find (1) complex, strategic buyer-supplier relationships, and (2) cases that are more extreme (advanced) to increase the external validity of the findings. More detailed selection criteria are discussed below.

The first step was to find suitable buyer companies for the study. The aim was to select companies that build their competitive edge substantially on suppliers, and possess advanced supplier management and collaboration practices, so as to obtain access to relevant data and gain results of wide interest, and so that the propositions will have practical value for other companies. This was considered as important in the research strategy, because for the interviews to understand the somewhat complex attraction construct, the company needed to have advanced supplier management practices. In that sense the selected cases are advanced cases, not typical cases.

Moreover, to improve the external validity of the results, the companies represent different industries. The research team collaborated closely with the forum of purchasing professionals at the Finnish Association of Purchasing and Logistics to find suitable buyer companies for the study, and we held several meetings with the board of the purchasing forum to identify companies. Among the companies that met these qualifying criteria, we selected those who were most willing to put effort into the studies. This was considered to be important as for this thesis to meet its purposes, considerable amount of work and contribution were needed from the case companies. We ended up with two buyer companies. One company works in the high-technology industry (OEM, a pseudonym), and another works in the pharmaceutical industry (PharCo, a pseudonym). These two firms also partially funded the study, which secured their commitment to the research collaboration. The first points of contact at the buying companies were the purchasing director and the purchasing development director. We explained our research objectives and initial plans for carrying out the study. The contact persons were invited to the steering group of the research project, and held several meetings to refine the research plan, to ensure that it met academic goals and was considered relevant to the participating companies.

The second step was to select the supplier companies, together with the main contact persons at the buyer companies. Four criteria were used in the selection process**.** First, we sought strategic relationships with considerable amount of collaboration and long-term orientation, and in which the buyers had an interest in influencing their suppliers in many areas, including product design, production, quality, and the supply chain. We explained our definition of strategic relationships to contact persons in buyer companies evaluated this aspect. In this thesis, a strategic relationship is defined as: “A relationship with a company that possesses

resources that are vital for future success. A relationship is based upon joint opportunities and includes a large amount of cooperation in different levels, such as in product, operations, and business development". In strategic BSRs, companies have an urgent need to influence their business partners and to advance value creation through collaboration, if they wish to achieve their strategic goals and increase competitiveness. Second, we selected suppliers from different purchasing categories. As Yin (2013) suggested, there are different strategies to select cases, either the cases to be more similar or more extreme, we applied the latter one to increase the external validity of the findings. In this strategy, cases selected are to predict contrasting results (Yin, 2013). Third, the suppliers had to be salient to their respective categories.

In the end, we selected three suppliers for both buyers, making a total of six buyer-supplier dyads (see Figure 2). Because both buyers had a collaboration in several functions and organizational levels with most of the selected suppliers, we concluded that it would be best to start with these six dyads and then add suppliers if necessary. However, it was soon realised that the amount of data that would obtained from the six dyads would already reach the limit for data management. The selected dyads are described in Section 3.7.

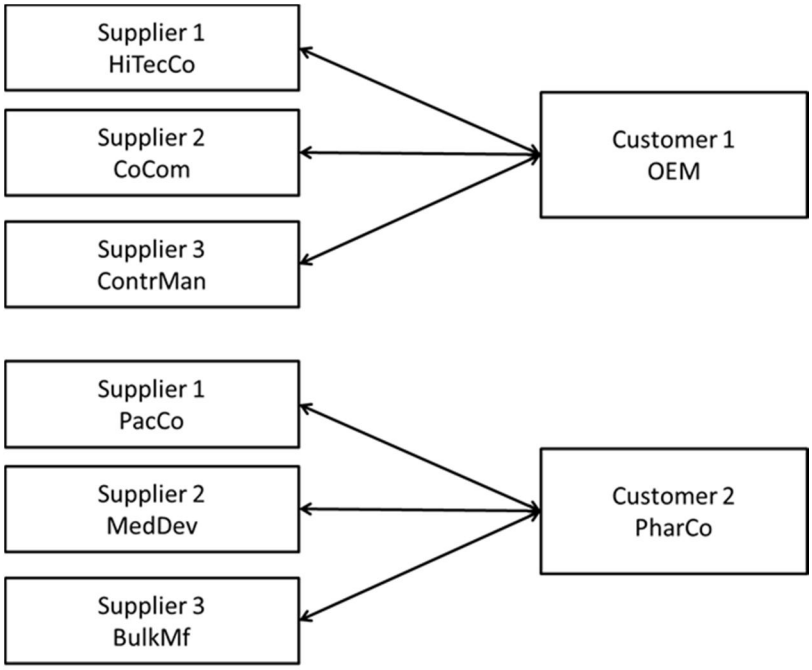

Figure 2. The six studied relationships

The third step was to select the interviewees. We aimed to have multiple informants from different parts of the sample organisations. Having multiple re-

spondents from different companies, and utilising multiple sources of data, allowed for data triangulation. According to Dubois and Araujo (2007), having multiple respondents makes it possible to capture a variety of perceptions and meanings, which is vital for an understanding of complex business relationships. Moreover, having numerous and highly knowledgeable informants who view the focal phenomena from different perspectives should limit interview bias (Eisenhardt & Graebner, 2007). First, the contact persons at the buyer companies listed the individuals in their organisations who had the most contact with the selected suppliers. Because all the suppliers were from different categories, and the supplier interface in the buyer companies was organised by category, each interviewed individual represented only one supplier relation. These individuals worked mostly in procurement, but there were also individuals from product design, manufacturing, and quality management (see Table 3). Interviewees in procurement held different positions, so all the interviewees had different perspectives on the supplier relationships. Next, the buyer companies identified their contact persons at the supplier companies. These contact persons then nominated the persons in their respective organisations who would participate in the study. Generally, these were the contact points that individuals at the buyer companies interacted with on a regular basis.

3.2 Data collection

We had multiple sources of data (interviews, meetings with company representatives, informal conversations, documents, and workshops), thereby making the data rich. The author of the thesis attended kick-off workshops that were arranged at both buyer companies. In these workshops, the basic information about the buyer companies were collected and how they managed their supply bases. By attending these workshops and by reading each company's documents, the author familiarised herself with the companies' purchasing organisations, category strategies, supply chain management and supply base management processes, and management practices for their supplier relationships.

The main data source was the interviews. According to Eisenhardt and Graebner (2007), interviews are a highly efficient way of gathering empirical data. In total, there were 43 interviews: 25 interviews with representatives of buyer companies, and 18 interviews with individuals at supplier companies. Table 3 shows the number of interviews in each dyad. As Voss et al. (2002) advise, a brief description of the objectives of the interviews, and an outline of a protocol, was sent to the interviewees in advance, so that interviewees were properly prepared. We used a data collection instrument in the interviews. The interview questions were validated in a review process involving several researchers, who checked and modified the questions.

The data collection instrument that was used in the interviews included the following sections: (1) information about the interviewee (e.g., position and job history); (2) semi-structured questions about the objectives and success of the buyer-

supplier relationship, and about ongoing joint development efforts; (3) open-ended questions about elements of the buyer's and supplier's attractiveness; (4) structured questions about how the interviewee perceived the other party's value, trust, and dependence; and structured questions about how the interviewee thought the other party perceived value, trust, and dependence in the relationship (=measurement instrument discussed in Section 3.3.1); (5) structured questions about control in a relationship. By having different kinds of data (qualitative and quantitative) as well as open-ended, semi structured and structured questions allowed us to get rich and versatile data, and results.

The open-ended questions were intended to identify both elements of attractiveness that exist in the buyer-supplier relationship, and elements that do not exist but are nonetheless perceived to be important. Through these questions, the companies' awareness of the attributes that render each one attractive was explored. The open-ended questions employed the principles of focused (i.e., thematic) interviews, whereby interviewees are encouraged to broadly explain their perceptions of the question being asked (Yin, 2013). The interviewers, to ensure that it was correctly and uniformly understood, clarified the meaning of "attraction" for the interviewees. Sharpening questions were included in these discussions.

When measuring control boundaries the measures developed by Heide and John (1992) were adopted. These describe the buyer's actual control over the supplier's decisions, and the items describe decisions that would be part of the supplier's domain in a basic market transaction. The following measures were used: the supplier's production processes and manufacturing technology, ongoing design and engineering changes, the supplier's level of inventory (raw material, semi-finished and finished components), selection of the supplier's sub-suppliers, and the supplier's quality control procedures. We used the following scale: 1-7, where 1 = entirely decided by the supplier, 7 = entirely decided by your company. The interviewees also rated these items on a scale of 1 (not important) to 5 (very important).

The interviewees were permitted to ask clarification questions to ensure that they understood the statements correctly. We also asked the interviewees to state the reasons for their answers. The purpose of this step was twofold: (1) to force the interviewees to think carefully about their answers, and (2) to help us see beyond their initial responses. The interviewers asked the open-ended questions before presenting the literature-based, structured questions, to avoid constraining the interviewees' answers. This funnel model is commonly used (Voss et al., 2002). The funnel model starts with open-ended questions, and as the interview progress, the questions become more specific, and the detailed questions come last. The interview instruments are presented in Appendices B and C.

Table 3. Basic information on the case companies and interviewees

	OEM – HiTecCo	OEM – ContrMan	OEM - CoCom	PharCo – PacCo	PharCo – MedDev	PharCo - BulkMf
Number of interviewees	Buyer: 6 Supplier: 2	Buyer: 5 Supplier: 3	Buyer: 5 Supplier: 3	Buyer: 2 Supplier: 3	Buyer: 4 Supplier: 6	Buyer: 3 Supplier: 1
Average number of years the respondents have been working in the relationship	Buyer: 11 Supplier: 9	Buyer: 7 Supplier: 15	Buyer: 2 Supplier: 10	Buyer: 10 Supplier: 3	Buyer: 2 Supplier: 2	Buyer: 2 Supplier: 2
Functional background of the interviewees in the buyer company	Purchasing/category group management, purchasing, R&D, manufacturing, quality	Purchasing/category group management, purchasing, R&D, manufacturing, quality	Purchasing/category group management, purchasing, quality	Purchasing management, purchasing	Purchasing management, development, R&D, quality	Purchasing/category group management, quality
Functional background of the interviewees in the supplier company	General management, R&D	Marketing, general management, operations	Marketing, general management, operations	Marketing, general management, operations	Marketing, quality, operations, customer service	General management / quality

The interviews were conducted between January and September 2009. Most interviews took place face to face, but for individuals in distant locations, interviews were conducted by teleconference. The interview subjects were located in the U.S., China, India, Germany, and Finland. Each interview lasted between 45 minutes and 2 hours. Two or three researchers participated in all the interviews, except for three interviews, where there was only one researcher. One researcher took the lead interview role. As interviews were made by pairs/teams, this increased the probability of a common approach in all the interviews (Voss et al., 2002). The interviewers were, in addition to the author of this thesis experienced researchers and a professor. This ensured the quality of the data. The participation of five interviewers in the data-collection process facilitated investigator triangulation. According to Eisenhardt (1989), the use of multiple investigators has two key advantages: it enhances the creative potential of the study, because researchers often have complementary insights to add to the richness of the data, and it increases the confidence in the findings from the convergence of observations. Table 4 summarises the data inventory.

Table 4. Data inventory

Data type	Quantity	Original data source
Customer company interviews	25	Informants
Supplier company interviews	18	Informants
Kick-off workshop	2	Company representatives (9)
Planning meetings with company representatives	10	Company representatives, main contact persons in buyer companies
Process descriptions from companies	5	Company material
Annual reports	2	Website
Company websites	6	Website
Research project steering group meetings	7	Company representatives and research group
Workshops where results were presented	2	Company representatives

3.3 Development of a measurement instrument for attraction

Previous researchers have been unable to agree on how to identify how attracted the buyer and the supplier are to each other (Hüttinger et al., 2012), and previous literature has focused on providing long, isolated lists of constructs related to customer attraction or supplier satisfaction (La Rocca et al., 2012). Hüttinger et al. (2012) suggest that the lack of agreement on how to measure attraction has acted as a limitation in the empirical investigation. Moreover, managers also struggle with the problem of how to know how attracted their suppliers are. La Rocca et al. (2012) made the first attempt to develop a measurement system for customer attraction. Their instrument suggests that the development potential, intimacy, relational fit and profitability make up the attraction (La Rocca et al., 2012). However, there are some differences in the approach of this thesis compared with theirs. Although La Rocca et al. mention SET in their study, the measurement instrument is not based on SET. Moreover, they focused on customer attraction, whereas this study takes the dyadic approach and measures both customer and buyer attraction. In addition, their system is directed at all relationships, whereas this study concentrates on strategic BSRs.

The measurement instrument of attraction is based on the SET approach and, especially, on the conceptual model of buyer-supplier attraction developed by Hald et al. (2009). SET considers attraction a force that brings partners together and fosters volunteerism and defines attraction as the expected rewards minus the costs of being involved in a relationship (Blau, 1964; Homans, 1961). Hald et al.'s model was chosen for several reasons. Most importantly, it is the most comprehensive model of attraction so far. Moreover, their approach to attraction is close

to the one applied in this thesis, as they aimed to analyse attraction as the mechanism that encourages buyers and suppliers to jointly improve their relationships. Hald et al. combined the main elements of attraction, as suggested by the theorists of SET (especially Blau, Thibault and Kelley) and coupled that with the supply chain into a model for attraction in a BSR context. As they have tied the model to SET, it has a solid theoretical base in contrast to the long isolated lists provided by various previous authors.

3.3.1 Elements of attraction in the measurement instrument

Hald et al. (2009) suggest, based on SET and BSR literature, that attraction is constructed as the combined output of complex interactions among three behavioural constructs: expected perceived value, perceived trust and perceived dependency (Figure 3). Each of these three areas is then divided into components that either push the business partners together or pull them apart (Hald et al., 2009). They see expected value as the core driver of attraction; trust and dependency have moderating effects. Expected value is on the reward side and trust on the cost side of attraction. Hald et al. (2009) argue that dependency has a moderating effect on the expected value.

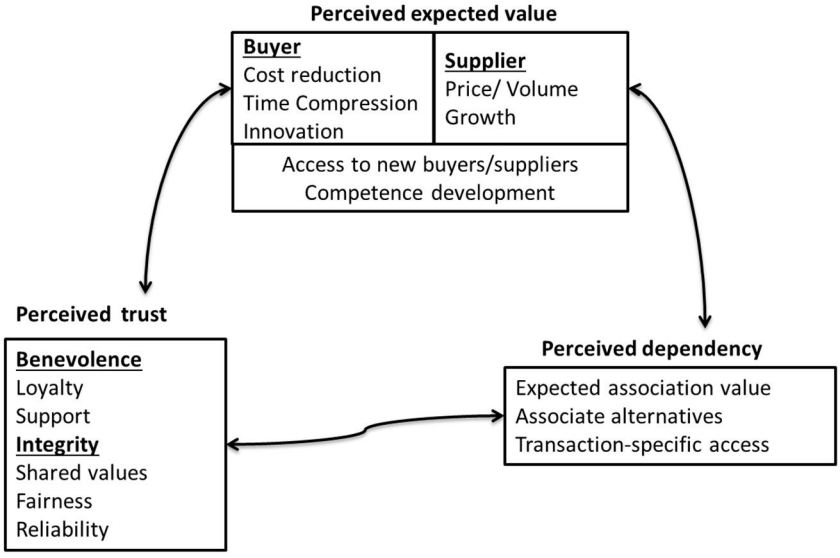

Figure 3. Elements of the conceptual model of attractiveness as proposed by Hald et al. (2009)

Expected value: Expected value has both intrinsic and extrinsic components, as suggested by, for instance, Blau (1984) and, thus, expected value includes a wide range of elements. Intrinsic components are emphasised in the development of

deep attraction (Ellegaard, 2012). Elements of the buyer's and the supplier's expected value from the relationship differ, as they hold different roles in a value chain. Hald et al. (2009) suggest that a buyer's perceived expected value consists of five elements: cost reduction, innovation, time compression, access to new suppliers, and competence development (Hald et al., 2009). A supplier's perceived expected value consists of price/volume, growth, access to new customers, and competence development (Hald et al., 2009). However, based on a literature review, the suggestions by Hald et al. concerning the dimensions of expected value were modified, and information function and communication were added, as well as the supplier's expected value, as proposed by Christiansen and Maltz, (2002) and Ramsay and Wagner (2009). The information function is regarded as one important aspect of expected value by, for example, Walter et al. (2003; 2001) and Ritter and Walter (2012). The information function refers to delivering technical, exchange or market-related information (Walter et al., 2003). This is perceived as valuable, as companies urgently need information about their environments and their markets in order to operate successfully (Ritter & Walter, 2012). Suppliers often have exact knowledge and information about their own industry and market. Suppliers may also know their customers' industry because they supply other companies in the same markets. If a supplier fulfils an information function, a customer of that supplier may acquire critical information faster than the competitors and may be able to reduce market research costs (Ritter & Walter, 2013). The same principle applies to customers fulfilling an information function. Previous researchers have also identified good communication as a focal relational instrument that facilitates value creation (Paulraj et al., 2008; Terpend et al., 2008). Previous research has also found that suppliers perceive buyers that adopt collaborative communication as exerting a positive influence on the buyer-supplier relationship (Prahinski & Benton, 2004). This is summarised in Table 5.

Trust: Previous researchers have identified multiple dimensions of trust, such as competence-based trust, fairness and reliability (for review, see Seppänen et al., 2007). The dimensions suggested by, for instance, Mayer et al. (1995), as well as by Hald et al. (2009), are used in the instrument. Perceived trust is associated with ability, benevolence and integrity. Ability is "the set of competencies that allow a party to perform in some area" (Mayer et al., 1995, p. 717; Hald et al., 2009, p. 964). Thus, ability is already covered in expected value. The level of benevolence relates to the trusting party's perceptions about the trusted party's good intentions and feelings of good will. The main elements of benevolence proposed are loyalty and support (see, for instance, Walter et al., 2001). Loyalty relates to a business partner's confidence that the other partner will be there in times of crises (see, for instance, Walter et al., 2001; Hald et al., 2009). Support refers to an actor's perception that the other actor will provide assistance and support when needed (Hald et al., 2009). Integrity, in turn, is a "trust related component that describes trustee's adherence to the principle the trustor finds acceptable" (Hald et al., 2009, p. 965). Integrity includes elements such as 'shared values', 'fairness' and 'reliability'. This is summarised in Table 6.

Table 5. Elements of expected value and their sources

Element	Source	Element	Source
Buyer's perceived expected value		**Supplier's perceived expected value**	
Cost reduction	Hald et al., 2009	Price/volume	Hald et al., 2009
Innovation	Hald et al., 2009	Growth	Hald et al., 2009
Time compression	Hald et al., 2009	Access to new customers	Hald et al., 2009
Access to new suppliers	Hald et al., 2009	Competence development	Hald et al., 2009
Competence development	Hald et al., 2009	Information function	Walter et al., 2003; 2001; Ritter & Walter 2012
Information function	Walter et al., 2003; 2001; Ritter & Walter, 2012	Communication	Paulraj et al., 2008; Terpend et al., 2008
Communication	Paulraj et al., 2008; Terpend et al., 2008	Cost reduction	Christiansen & Maltz, 2002; Ramsay & Wagner, 2009

Dependency: Dependency in a relationship refers to the degree to which a company needs to remain in the relationship with a supplier or buyer in order to achieve its goals (Ganesan, 1994). Perceived dependency consists of, as suggested by Ganesan (1994), the expected association value, alternative associations and the level of transaction-specific assets (see also Hald et al., 2009). The expected association value is linked to dependency in the sense that dependency increases as the expected future value increases. Alternative associations refer to the number of alternatives that an actor perceives to have to this particular relationship. Transaction-specific assets relates to the assets the actor has invested in the relationship. This is summarised in Table 6.

Table 6. Elements of perceived trust and dependency and the sources

Trust	Sources
Ability, covered in expected value	Mayer et al., 1995; Hald et al., 2009
Benevolence	Mayer et al., 1995; Hald et al., 2009
Integrity	Mayer et al., 1995; Hald et al., 2009
Dependency	
Expected association value	Ganesan, 1994; Hald et al., 2009
Alternative associations	Ganesan, 1994; Hald et al., 2009
Level of transaction-specific assets	Ganesan, 1994; Hald et al., 2009

Each element was then operationalised by at least two statements, and the elements were re-categorised, as shown in Table 7. Whenever possible, we used statements that previous authors have used. For instance, in the measurement of customer attraction, 'cost-effectiveness' is measured as "The supplier's activities have reduced the supply chain process costs" and "The customer's working practices enable efficient supply chain management from our point of view." Two scales were used, as follows: importance on a scale of 1 (not important) to 5 (very important) and the level in the relationship as disagree or agree with the statement on a scale of 1 (fully disagree) to 5 (fully agree) (Likert scale). The measurement instrument is presented in Appendices B and C. The instrument was used in interviews and, thus, we were able to explain the statements if necessary.

3.4 Data analysis

We followed Yin's (2013) advice for building a systematic case database of documents, and included all our interview notes, documents provided by the case companies, workshop presentation materials, and memos for the meetings. According to Yin (2013), the reliability of a study can be increased by using of a case-study protocol, developing a database, and ensuring a chain of evidence. By following a systematic case-study protocol, it was possible to reach central strengths of theory development, novelty, and empirical validity.

The data analysis started by grouping the interview notes and other materials by company and dyad. In doing so, a basis for performing with-in case and cross-case analysis was constructed. This identified specific differences and common patterns across dyads. Following the advice of Miles and Huberman (1994) and Yin (2013), within-case analysis and, subsequently, cross-case analysis were conducted. A great deal of detailed information was obtained about each dyad, and this information was systematically added to the case-study database. On the basis of this information, detailed case reports were written and were given to the participating companies. These reports were designed to validate the results. The data analyses are discussed in more detail in the respective studies, in Chapters 4-8.

To analyse the level of attractiveness, we calculated the grades of perceived expected value and trust for both the buyer and the supplier in each dyad. These were calculated as an average of the grades given to all of the elements of perceived value and trust, which were weighted by their importance. As we had multiple statements for each element of both perceived expected value and perceived trust, we first counted the company's average grade for these elements. To obtain a deeper understanding of the perceived attraction in each dyad, we also investigated the comments related to each statement, as well as our notes from the meetings, interviews, and workshops with the case companies.

Table 7. Elements of the measurement instrument

Buyer's perceived expected value	Operative performance	Price
		Cost reduction
		Time compression
		Quality
		Communication
	Competence development and innovation	Learning and innovation
		Competence development
		Supplier's R&D competence
	Intermediation	Information intermediation
		Access to new partners
Supplier's perceived expected value	Operative performance	Price
		Cost reduction
		Time compression
		Communication
	Competence development and innovation	Innovation
		Competence development
		R&D
	Intermediation	Information intermediation
		Access to new partners
	Growth	
Perceived trust	Benevolence	Loyalty
		Support
	Integrity	Shared values
		Fairness, Reliability
Perceived dependency	Expected association value	
	Associate alternatives	
	Transaction-specific access	

To measure the level of attraction, the suggestion by Hald et al. (2009), on how the level of attraction is produced from the levels of expected value, trust, and dependence, was adapted; as presented in Table 8.

Table 8. Explanation of how perceptions of expected value, dependence, and trust combine to produce perceived attraction (Hald et al., 2009).

Expected value	Perceived dependence	Perceived trust	Resultant perceived attraction
High	High	High	High, concerns about dependence
High	Low	High	High
High	Low	Low	Medium
Low	High	High	Medium, concerns about dependence
Low	Low	High	Medium
Low	High	Low	Low
Low	Low	Low	Low
High	High	Low	Low

To clarify, we first measured the level of expected value, trust and dependence. Then, based to the table 8 assessed the overall level of attraction. For instance, if a supplier company perceives the level of expected value to be high, and expected trust and dependence to be low (see row 4), the overall level of attraction is medium.

Although the thesis applies the model by Hald et al. for the reasons discussed above, and it has many advantages, some criticism might be discussed. Hald et al. (2009) have managed well in combining the propositions of SET and coupling them with supply chain literature into a model of attraction. However, the combinations of how the different elements influence attraction could need more exploration. For instance, the bottom row in Table 8 (value = high, dependency high, and trust low) emphasises the role of dependence maybe too much, although they have earlier suggested that dependence and trust both have “only” a moderating effect. On the other hand, low value, high trust, and low dependence predict medium-level attraction. These examples illustrate how difficult it is to define the combined effect. Despite this, it seems that their suggestion provides a good basis for measuring attraction.

3.5 Validity and reliability

The commonly used criteria for judging the quality of a research design are as follows: construct validity, internal validity, external validity, and reliability (Yin,

2013). According to Yin (2013), internal validity is central only for explanatory or causal studies, not for descriptive or exploratory studies. In this study, special emphasis was put on construct validity, external validity, and reliability. The methods that were used to meet these criteria are presented in Table 9.

Construct validity relates to the extent to which the correct operational measures of the concepts are founded (Voss et al., 2002). According to Yin (2013) and Stuart et al. (2002), construct validity can be confirmed by using multiple sources of evidence, founding a chain of evidence, and asking key informants to review case-study reports. In this thesis, multiple respondents from different companies, and multiple sources of data, enabled data triangulation and secured construct validity. As suggested by Yin (2013), the results of case studies were reported in paper format to the companies, and presented at workshops held at the case companies. We asked representatives from the case companies to provide feedback indicating whether they had any concerns with the results. In these workshops, we also clarified the observations made during the interviews. It should be emphasised that the interviewees were able to comment on possible researcher misperceptions, but they could not change the results in their favour. This follows the advice from Miles and Huberman (1994), as they recommend discussing the results and interpretations with informants, but nevertheless keeping them in their original form. According to Yin (2013), this process enhances construct validity, and according to Hirschman (1986), this can be used to assess the credibility of the study.

Yin (2013) defines external validity as the domain in which a study's findings can be generalised, in other words, how precisely the results represent the studied phenomenon (see also Ellram, 1996). Stuart et al. (2002) see that one of the most serious agreements against case study research is that the samples are too small to allow generalisation of the findings, and that this criticism born from confusion between two different types of generalisation: statistical generalisation on which survey studies rely, and analytical generalisation on which case studies rely. According to Stuart et al. (2002, p. 430), "with case research, generalization is from each case to broader theory not from samples to populations."

According to Yin (2013), the reliability of a study refers the extent to which its operations can be repeated and produce the same results (Yin 2013). Hirschman (1986) emphasizes the meaning of confirmability, proposing that external auditors need to be used to judge whether the interpretations are obtained in a logical and unprejudiced manner. Yin (2013) also suggests the using of several researchers to test for bias and the tolerance of contrary findings. The preliminary findings should be reported to two or three colleagues, who then should propose alternative explanations. In this research, several researchers, who were also involved in the research project, read and commented on the case reports. Because the case companies refused to allow us to record the interviews, I was required to use other means to ensure the reliability of the data used in the analyses. First, at least two researchers took notes on all but two interviews, and then cross-checked each other's notes. The interview notes were then sent to the interviewees for confirmation, as suggested by, for example, Stuart et al. (2002) and Voss et al. (2002). The

research team discussed the interpretations and the findings, and the results were also discussed with the case companies.

Table 9. Tactics for improving validity and reliability

CRITERIA	Tactic applied in this study
Construct validity	People from different functions and organisational levels were interviewed from all of the companies. The data collection instrument included both open-ended and structured questions. The structured questions were based on previously used operationalisations of the key constructs, as much as possible. All of the interviewees checked the interview reports. In all but two interviews, at least two interviewers cross-checked their notes. The conclusions were verified in workshops with the participating companies.
Internal validity	This concept was not approached because the study was exploratory and descriptive.
External validity	Two buyer companies were used from different industries: high technology and pharmaceuticals. Three supplier companies were used for both buyer companies. All of the suppliers represented different purchasing categories.
Reliability	The case-study protocol was followed in collecting the data. We created and maintained a case-study database for all six dyads in the study.

3.6 Co-operation with industry

As this thesis is based on empirical case studies, I needed access to in-depth data from both ends of the buyer-supplier dyad. The case studies were conducted as part of a large strategic purchasing research project, which was funded by the National Technology Agency of Finland (Tekes), VTT, Aalto University, and the companies involved. These companies were interested in developing the studied theme and actively participating in the research project. Working closely with the companies ensured access to confidential and in-depth data used – and needed - in this thesis. The companies set no limitations on presenting the findings or conclusions of the studies, although the companies presented some limitations on how the data could be communicated and disseminated.

3.7 Case descriptions

First, the three supplier relations of OEM are described. This section then continues by describing the three supplier relations of PharCo. Each description includes on overview of each case and an analysis of the level of attraction in all six sample dyads from both the buyer's and the supplier's perspectives. This analysis forms a

basis for the studies. Table 10 presents the basic information, strategic intents and objectives of the relationships of the OEM and its suppliers and Table 11 PharCo and its suppliers.

Table 10. Basic information about the buyer and supplier companies (OEM)

	OEM-HiTecCo	**OEM-ContrMan**	**OEMCoCom**
Buyer's industry	High technology		
Type of the supplier	High technology components provider	Contract manufacturer	Original equipment manufacturer
Buyer size/supplier size in terms of turnover	13 billion EUR/ 9.8 billion EUR	13 billion EUR/ 4.6 billion EUR	13 billion EUR/ 88 billion EUR
Geographical presence of buyer	Sales and operations on all continents, in 150 countries		
Geographical presence of supplier	Operations in the USA, Asia and Europe; sales worldwide	80 manufacturing sites in 20 countries	Sales and operations in 170 countries
Buyer's strategic intent	To utilise HiTecCo's technological capabilities to develop advanced products with low costs	Increasing efficiency and flexibility by utilising ConrMan's global resources and by collaboration	To develop supply chain processes in close collaboration with CoCom, but to act as SC 'captain'
Supplier's strategic intent	Leveraging innovations developed in collaboration with OEM in other businesses	Increase customer 'lock-in' and gain more business by high-level customer service and collaboration	To use OEM as an efficient distribution channel for its products; to develop SC processes collaboratively but act as SC 'captain'
Collaboration in a relationship	Deep collaboration, large product development projects	Many common development projects	Collaboration on product development and design, NPI activities, and supplier acts as a pilot supplier in development projects
Buyer's main objectives in developing the relationship	Competitive prices, technical innovations	Efficient operations, price reduction	Efficient operations, technical innovation
Supplier's main objectives in developing the relationship	Increasing sales, technical innovations	Increasing sales, better price	Increasing sales, efficient operations

Table 11. Basic information about the buyer and supplier companies (PharCo)

	PharCo-PacCo	**PharCo-MedDev**	**PharCoBulkMf**
Buyer's industry	Pharmaceuticals		
Type of the supplier	Packaging materials supplier	Supplier of medical devices	Bulk actives manufacturer
Buyer size/supplier size in terms of turnover	850 million EUR/ 13 million EUR	850 million EUR/ 5 billion EUR	850 million EUR/ 690 million EUR
Geographical presence of buyer	Products marketed in over 100 countries; in markets outside Europe PharCo operates through partners		
Geographical presence of supplier	2 manufacturing sites in Finland	100 plants in 20 countries in Europe, North and South America, and Asia	Operations in 100 countries in Asia, Africa, Europe and the USA
Buyer's strategic intent	To improve efficiency without putting too much effort into the relationship	To have reliable high-quality supplies from MedDev, and to keep the relationship stable	To utilise the low-cost structure of BulkMf to achieve competitiveness in the generic products
Supplier's strategic intent	To keep its position as a 'purveyor' even though there are several alternative suppliers for PharCo	To enhance its value offerings by involving itself in its customers' product development processes	To get access to European markets through PharCo
Collaboration in a relationship	Supply chain development projects	So far only little collaboration, but MedDev has a strong will to become more closely involved in the buyer's demand chain	Only little collaboration; some operational development projects
Buyer's main objectives in developing the relationship	Efficient operations, product quality	Product quality, technical innovation	Product quality, efficient operations
Supplier's main objectives in developing the relationship	Increasing sales, efficient operations	Efficient operations, increasing sales	Increasing sales, efficient operations

OEM is a global provider of high-technology equipment. Based on market share, this firm is one of the top five in its industry in the world. The industry OEM is operating in is not growing, which may influence the perceived customer attraction of OEM. All three suppliers selected in our study are also ranked in the top five of their respective industries worldwide.

PharCo is a European R&D-based pharmaceutical and diagnostics company that focuses on developing medicinal treatments and diagnostic tests for the global market. The company is a relatively small player on a global scale but is in a

good position in the European markets. Similarly to the pharmaceutical industry in general, PharCo is shifting towards tougher price competition because the focus of the industry is shifting from proprietary to generic products. Changing suppliers is difficult in this industry because of the authorities' strict licensing requirements.

All the supplier relationships are strategic relationships as evaluated by the buyer companies. The relationships represent different categories.

3.7.1 Case 1: OEM-HiTecCo

Background: OEM's purchases from HiTecCo include components that are technically demanding and critical to the performance of the end product. HiTecCo is generally considered one of the technology leaders in its industry. OEM's strategic goal of this relationship is to utilise HiTecCo's technological capabilities to develop advanced products with low costs. The relationship focuses on technical innovation, but technological advancement is viewed as a starting point for collaboration and as a means of improving cost-efficiency rather than as a major objective in itself. HiTecCo aims to leverage its collaboration with OEM through product development in its other businesses and with other customers. The relationship has a long history. The relationship includes much interaction at many levels of organisation. Some of the interviewees also saw the dangers of excessively close relationships and thought that the boundaries of the companies are becoming blurred. This relationship is strategic from OEM's and HiTecCo's viewpoints, and both companies are committed to the relationship.

Level of attraction: As the perceived level of value and trust is high on both sides of the OEM-HiTecCo relationship, the resultant perceived attraction is also high from both the customer's and the supplier's points of view. However, it was observed that the high level of dependency was a clear source of concern for both parties, though the dependency was also perceived as necessary to make the relationship work. The parties therefore did not aim to eliminate the dependency but rather to find an optimal level of dependency. Attraction in this relationship largely reflects the parties' mutual perceptions of each other as technological forerunners and industry leaders. HiTecCo's technological competencies serve OEM's strategic objectives by enabling it to develop advanced products at low cost. Collaborative product development with OEM in its other businesses yields innovative solutions that afford HiTecCo a competitive advantage in the market. OEM's attractiveness as a customer was also affected by its organisational links to HiTecCo's important customer. Table 12 presents the descriptions of expected value, trust and dependency as perceived by the customer and the supplier. The numerical values of grades and the importance of each element of attraction are presented in Appendix D.

Table 12. Level of expected value, trust and dependency as perceived by the customer (OEM) and the supplier (HiTecCo)

Customer's perceptions of expected value	Overall, the respondents at OEM perceived the value of the relationship with HiTecCo to be high. The interviewees were particularly satisfied with HiTecCo's R&D capability and open communication. A wide array of both formal and informal channels of communication was in place. HiTecCo's willingness to pass innovative ideas on to OEM reinforced the respondents' perceived value of the relationship, and this was considered high in view of the importance of R&D in this relationship. However, the respondents found that although the information about third parties obtained through this relationship was valuable it was not always sufficient.
Supplier's perceptions of expected value	The interviewed individuals at HiTecCo perceived OEM to be a highly valuable partner, mainly because of OEM's ability to provide new technological expertise and to pass on innovative ideas to HiTecCo. They also highly valued OEM's capability to engage in common development projects.
Customer's perceptions of trust	Overall, OEM's respondents perceived the level of trust to be high. They appreciated HiTecCo's willingness to invest time and other resources in this relationship. Additionally, they appreciated the fact that they could openly discuss the problems in the relationship.
Supplier's perceptions of trust	The interviewed individuals at HiTecCo perceived all of the elements of trust to be high. Additionally, HiTecCo's respondents highly valued OEM's willingness to invest time and other resources in the relationship. They perceived OEM to be professional in its business operations and found that working with OEM was easy and comfortable.
Customer's perceptions of dependency	OEM is highly dependent on HiTecCo. If OEM decides to develop and source a certain component from HiTecCo, OEM is essentially tied to the supplier throughout the lifetime of the end product (i.e. for the next 10 to 15 years). As there are hundreds of components in different life cycle phases, the companies are dependent on each other for their existing products. However, for new products, alternatives exist. A few years ago, OEM made a huge effort to find a realistic alternative to HiTecCo to keep the prices competitive.
Supplier's perceptions of dependency	HiTecCo is highly dependent of OEM. It has dedicated capacity and resources to OEM. It also actively takes part in several of OEM's performance improvement activities, and it has implemented OEM's supply chain management processes.

3.7.2 Case 2: OEM-ContrMan

Background: ContrMan is a contract manufacturer and one of the largest suppliers to OEM. This relationship is strategic to both OEM and ContrMan. ContrMan manufactures over 500 different products for OEM. ContrMan has several plants located near OEM's markets that create manufacturing capacity and serve as capacity buffers for OEM. OEM's strategic intent in this relationship is to increase efficiency and flexibility by utilising ContrMan's global manufacturing capability.

ContrMan's intent is to increase's OEM's 'lock-in' and dependency. It also aims to gain more business and higher profit through high-level customer service and collaboration. ContrMan perceives OEM as a really important customer. The companies collaborate on product development, design and new product introduction (NPI) activities. In addition, the supplier acts as a pilot supplier in many development projects. The purchasing volume is high and the margins are low in contract manufacturing. Therefore, every cent in the unit price counts for both parties. The respondents at OEM acknowledged that their cost reduction targets were hard for ContrMan to achieve. ContrMan possesses no technological superiority. As OEM has sold several factories to ContrMan in the past, the two companies share a strong relationship. When the results of this study were discussed in a workshop, the managers of OEM paid attention to the low level of dependency in the relationship. They were concerned that if the level of dependency was actually this low, the future of this important relationship might be at risk. They wished to see a higher level of dependency.

Level of attraction: The perceived trust in this relationship was high for both parties, but the perceived value (based on the average grades for the value statements) was only high for OEM. Thus, the level of attraction in this relationship is high for OEM but only moderate for ContrMan and, thus, this dyad is perceived as much more successful by the buyer than by the supplier. As the dependency is perceived as low, it does not raise any concerns. The willingness and ability to develop efficient production and supply chain solutions collaboratively is largely what makes ContrMan attractive to OEM. For ContrMan, however, the primary interest in the collaboration seems to be locking the customer into the relationship. It appears to be attracted to a prosperous, long-term partner that provides ample and growing business opportunities. Table 13 presents the descriptions of expected value, trust and dependency as perceived by the customer and the supplier.

Table 13. Level of expected value, trust and dependency as perceived by the customer (OEM) and the supplier (ContrMan)

Customer's perceptions of expected value	Overall, the respondents from OEM perceived all of the elements of expected value to be at a high level but not as high as in the relationship with HiTecCo. They especially appreciated the close cooperation at all organisational levels, the fluent communication and ContrMan's willingness to react to needs for capacity modification. The latter is critical considering the strategic intent of the buyer. As every cent counts in this business, the respondents at OEM were quite satisfied with the purchasing prices and operative costs. If the purchasing prices and operative costs had not been competitive, the production could have been moved elsewhere.
Supplier's perceptions of expected value	Overall, the respondents at ContrMan perceived the expected value of this relationship to be relatively low. However, they expected the value to grow in the future. The respondents at ContrMan especially valued daily communication, but they believed that they did not receive enough information about OEM's long-term strategic directions. OEM provides ContrMan with a considerable supply of chain management information, and ContrMan, in turn, puts a great deal of effort into finding the optimal plant location for each product that it manufactures for OEM.
Customer's perceptions of trust	The interviewed individuals at OEM perceived all of the elements of trust to be high. They believed that ContrMan was concerned about OEM's interests and highly valued ContrMan's openness and honesty in the collaboration process. Trust is based on good personal relationships. However, ContrMan is not always consistent across the organisations.
Supplier's perceptions of trust	The perceived trust in the relationship is high from the supplier's perspective, although not as high as the level of trust perceived by OEM. The respondents at ContrMan highly valued that problems are treated as joint problems, and both parties are committed to improvements that benefit the relationship as a whole. The most important destroyer of trust was OEM's inability to always pay the bills on time:
Customer's perceptions of dependency	OEM's dependency on this relationship is at a low level. OEM has not dedicated any fixed assets to the relationship and OEM also does not see ContrMan as an indispensable partner. However, completely changing suppliers would entail a long and difficult process, so the relationship continues for as long as both parties are satisfied with the other party's performance.
Supplier's perceptions of dependency	ContrMan's dependency is low as it has not dedicated any fixed assets to the relationship. On the other hand, because the buyer can more easily find substitute suppliers than the supplier can substitute customers, the buyer is more powerful in this relationship.

3.7.3 Case 3: OEM-CoCom

Background: CoCom is an original equipment manufacturer that is widely considered the technological leader in its field. CoCom is a global company. Technology strategy strongly drives the OEM-CoCom relationship. OEM emphasised the importance of CoCom's brand to the end customer. Although OEM is an important customer for CoCom in its industry and for some of CoCom's plants, OEM is not

one of CoCom's biggest customers from a global perspective. CoCom is a strategic supplier for OEM; however, the role of OEM to CoCom is not that important. OEM's strategic intent is to develop supply chain processes in close collaboration with CoCom but to act as SC 'captain'. CoCom, in turn, aims to use OEM as an efficient distribution channel for its products and to develop SC processes collaboratively but to act as SC 'captain'. Thus, this is an example of a relationship in which both partners' strategic intention is to leverage the relationship in developing both products and processes. Each party values the other highly, and a number of collaborative development projects are ongoing. Both parties invest significant resources in their joint projects but neither is fully satisfied with the current performance. As both act as 'channel captains' in most of their supply chains, it is often unclear which company's principles and processes are to be followed in managing the common supply chain. Supply chain operations are based on less advanced practices and systems than the other two studied supplier relationships of OEM. The fact that OEM's purchases only account for a small share of CoCom's production limits OEM's possibilities to affect the processes.

Level of attraction: The attraction in this relationship is high for OEM, as both the expected value and trust are perceived to be of a high level. Attraction is considered only moderate for CoCom, as the trust is high but the expected value is low. As the level of dependency is high, OEM has concerns about it. The companies share a willingness to resolve the supply chain conflict through collaboration, and the ability to collaborate is the key characteristic that makes both parties attractive in this relationship. Table 14 presents the descriptions of expected value, trust and dependency as perceived by the customer and the supplier.

Table 14. Level of expected value, trust and dependency as perceived by the customer (OEM) and the supplier (CoCom)

Customer's perceptions of expected value	Overall, OEM's respondents perceived the expected value to be high in this relationship. They perceived CoCom's products and technological expertise to be the most important issues reinforcing the expected value and also valued good day-to-day communication. However, OEM's respondents considered the absence of high-level executive meetings a major shortcoming in the relationship as they found corporate-level communication crucial to the development of the relationship. Supply chain management issues seemed to be important and lowered the perceived value of this relationship from OEM's viewpoint. OEM's respondents also felt that CoCom does not react flexibly to lead-time changes
Supplier's perceptions of expected value	CoCom perceived the expected value to be relatively low in this relationship. They found that the value primarily came from business-related issues, especially growth. The interviewees also valued OEM's ability to engage in development projects and fluent day-to-day communication. They believed that the inefficient supply chain was the biggest value destroyer.
Customer's perceptions of trust	OEM's respondents perceived all of the elements of trust to be high. In particular, they valued the long and deep collaboration. The respondents thought the collaboration with the Finnish team worked well, but the lack of discussions with the American headquarters lowered the

	level of trust.
Supplier's perceptions of trust	CoCom's respondents perceived a high level of trust, although not as high as the level of trust perceived by OEM's respondents. They appreciated OEM's professionalism in its business operations. The interviewees at CoCom criticised the relationship and believed that OEM would behave opportunistically if it had the chance to do so.
Customer's perceptions of dependency	OEM is highly dependent on CoCom because the end customers commonly require OEM to use CoCom's products. OEM has recently devoted a remarkable amount of effort to product development. By doing so, OEM could use technology based on open standards to lower its prices and facilitate a change in the supplier if needed.
Supplier's perceptions of dependency	Although OEM is an important customer for CoCom, in OEM's line of business and for some of CoCom's plants, OEM is not one of CoCom's biggest customers from a global perspective, and CoCom's dependency on OEM is low.

3.7.4 Case 4: PharCo-PacCo

Background: PacCo is a small local supplier of printed products and services for packages and advertisements. The strategic intent of PharCo is to improve efficiency without putting too much effort into the relationship. The relationship is long and stable. PacCo has almost achieved a purveyor status for PharCo in its product category, and PacCo aims to keep its position as a 'purveyor' even though there are several alternative suppliers for PharCo. Despite the size of PacCo, it is a strategic supplier to PharCo. However, PharCo has a clear power advantage over PacCo because PacCo is a small player and many alternative businesses offering comparable products and services are available for PharCo to choose from should PharCo become dissatisfied with PacCo. The buyer expects the supplier to collaborate in the development of production and supply chain processes. However, PacCo does not expect collaborative efforts from PharCo and would prefer just a stable business relationship. PacCo nevertheless participates in the development efforts. During the time of the study, PharCo simultaneously placed more competitive pressure on PacCo and developed supply chain processes that were more effective from its own perspective by decreasing the lot sizes of its orders and shortening the required delivery times. Additionally, PacCo is proactively developing its own production capabilities to continue to be attractive to PharCo.

The level of attraction: The level of attraction in this relationship is high for both parties, as both the expected value and trust are perceived to be at a high level. The high level of dependency creates some concerns for PacCo. PacCo's representatives also expressed concerns regarding the dependency level. PacCo regarded its relationship with PharCo to be moderately successful, despite the benefits of collaboration accruing unilaterally to PharCo. Table 15 presents the descriptions of expected value, trust and dependency as perceived by the customer and the supplier.

Table 15. Level of expected value, trust and dependency as perceived by the customer (PharCo) and the supplier (PacCo)

Customer's perceptions of expected value	The respondents at PharCo perceived the expected value of this relationship to be high and were quite satisfied with the way the relationship works. In particular, the respondents found that the low prices, low operative costs and PacCo's willingness to accommodate PharCo's needs reinforced the value of the relationship. PharCo's interviewees were satisfied with the communication in the relationship, although the communication is quite limited.
Supplier's perceptions of expected value	Generally, the respondents at PacCo perceived this relationship to be highly valuable. The value of this relationship was based mainly on business-related issues, such as PharCo's status as a big and important customer of PacCo. Other issues that reinforced the value of this relationship were innovation and competence development. PacCo's respondents listed a large number of areas in this relationship that need improvement. They perceived the strong pressure for supply chain efficiency a value destroyer. According to PacCo's interviewees, the pressure to shorten delivery times and decrease lot sizes has reduced the efficiency of PacCo's operations. Nonetheless, PacCo is willing to implement the processes and practices proposed by PharCo. The other issues that lowered the value of this relationship were limited communication. At PharCo, the purchasing officer is almost the only point of contact, whereas at PacCo, the whole management group communicates with PharCo.
Customer's perceptions of trust	PharCo's respondents perceived all of the elements of trust to be high. They especially valued the social support and the supplier's willingness to invest time and resources.
Supplier's perceptions of trust	Generally, PacCo's interviewees perceived all of the elements of trust to be high. They believed that the high social support and reliability of PharCo reinforced the trust in the relationship.
Customer's perceptions of dependency	PacCo and PharCo have a long and stable relationship, and PacCo has almost achieved purveyor status for PharCo in its product category. However, because PacCo is a small player and many alternative businesses offering comparable products and services are available for PharCo to choose from should PharCo become dissatisfied with PacCo, the dependency is low for PharCo.
Supplier's perceptions of dependency	PacCo's dependency is at a high level, as PharCo is its biggest customer, and PacCo has also implemented many of PacCo's processes. The company constantly sought other customers that would reduce its dependency on PharCo, though finding these customers seemed to be a challenging task.

3.7.5 Case 5: PharCo-MedDev

Background: MedDev is a globally operating supplier of drug delivery, medical devices and diagnostic disposables. The strategic intent of PharCo is to purchase reliable high-quality supplies from MedDev and to keep the relationship stable. MedDev aims to differentiate itself from bulk manufacturers by enhancing its value offerings and involving itself in its customers' product development processes. To achieve this goal, MedDev makes many attempts to initiate collaborative devel-

opment with PharCo. As PharCo switched from a supplier whose performance was unsatisfactory to MedDev a few years ago, MedDev has only been a major supplier to PharCo for a few years. Changing suppliers is a major investment in the pharmaceutical industry because of the authorities' strict licensing requirements. Thus, PharCo's expectations of MedDev were high. PharCo and MedDev conducted some business together at an earlier point, but the importance of the relationship is now significantly greater for both parties, and MedDev is a strategic supplier to PharCo. In general, relationships in the pharmaceutical industry are typically built over many years. The interviewees reported a great deal of potential for improvement in MedDev's relationship with PharCo, leading the latter to pursue a relatively standard agenda of collaboration with its supplier. Joint efforts to improve effectiveness and shorten lead times did not evolve into deep or strategic collaboration. In this case, with the supplier expecting collaboration with a buyer more interested in just a competitive long-term partner, the power is relatively balanced and neither party can unilaterally determine the relationship's direction.

The level of attraction: The perceived levels of expected value and trust are high on both sides, and the resultant perceived attraction is high for both parties. However, MedDev, wanting to pursue more collaborative development than occurred, was only modestly satisfied with the relationship, whereas PharCo perceived the relationship to be much more successful. The level of dependency has created concerns for PharCo. The expectations from future value were very clearly present in MedDev's interviews. Table 16 presents the descriptions of expected value, trust and dependency as perceived by the customer and the supplier.

Table 16. Level of expected value, trust and dependency as perceived by the customer (PharCo) and the supplier (MedDev)

Customer's perceptions of expected value	Overall, PharCo's respondents perceived the expected value to be high in this relationship and the product quality to be a major value in the relationship. Other issues that enhanced value were fluent communication and MedDev's lead time changes. The interviewees at PharCo believed that the low supply chain efficiency decreased the expected value, and they were not satisfied with the success rate of the supply chain development projects. One interviewee believed that MedDev was too big a supplier to be motivated to develop a relationship with PharCo.
Supplier's perceptions of expected value	The interviewees at MedDev perceived the level of expected value to be high. They looked at the expected value in the relationship from a strategic viewpoint, as MedDev's strategic goal is to enhance its value proposition and become more closely involved in the buyer's demand chain.
Customer's perceptions of trust	PharCo's respondents perceived the level of trust to be high in this relationship. MedDev's reliability (i.e., more precisely, its professional operations, its ability to handle confidential information and its reliable reputation) was responsible for the high level of perceived trust by PharCo. The most important issues that lowered the trust in this relationship were MedDev's low level of loyalty, support and fairness. The respondents did not believe that developments would benefit PharCo

	and MedDev equally.
Supplier's perceptions of trust	MedDev's respondents perceived the level of trust to be high. They thought that PharCo's reliability reinforced the trust in the relationship. MedDev's respondents believed that PharCo's low level of loyalty and fairness decreased the level of trust in the relationship. They perceived that when making important decisions, PharCo was not interested in MedDev's welfare. Some interviewees thought that PharCo's demands were not always realistic.
Customer's perceptions of dependency	In general, relationships in the pharmaceutical industry are typically built over many years. MedDev is a big player, and changing the supplier is difficult in the medical industry because the authorities enforce strict licensing requirements. As a result, PharCo is quite 'locked in' to MedDev and, thus, dependency is high.
Supplier's perceptions of dependency	MedDev's dependency on the relationship with PharCo is low, but it is committed to the relationship. MedDev has attempted many times to initiate collaborative development with PharCo and to become more involved in PharCo's product development processes.

3.7.6 Case 6: PharCo-BulkMf

Background: BulkMf is a manufacturer of bulk actives for the pharmaceutical industry. BulkMf operates in the global markets and aims to achieve cost-efficient quality leadership in its business. BulkMf is also a fairly new supplier to PharCo and one of PharCo's first low-cost country suppliers. Managing the relationship therefore involves confronting many new challenges. PharCo expected MedDev to collaborate on the development of production and supply chain processes. However, BulkMf did not respond to the collaborative efforts of PharCo, and both would have preferred just a stable, long-term business relationship. PharCo perceived its relationship with BulkMf to be rather unsuccessful, being satisfied only with the latter's price. BulkMf's negative perception of the relationship with PharCo largely reflected disappointment that sales had not increased as expected.

We had trouble accessing BulkMf during the study. Ultimately, only one person from the company agreed to be interviewed. However, this interviewee holds a key position in BulkMf's relationship with PharCo.

Level of attraction: The level of attraction in this relationship is medium for PharCo, as the expected value is perceived to be low and the trust high. The attraction is at a high level for BulkMf, as both the expected value and the trust are high. The high dependency of this relationship creates concerns for PharCo. Table 17 presents the descriptions of expected value, trust and dependency as perceived by the customer and the supplier.

Table 17. Level of expected value, trust and dependency as perceived by the customer (PharCo) and the supplier

Customer's perceptions of expected value	Overall, PharCo's respondents perceived the expected value in this relationship to be low. From their point of view, the value was primarily reinforced by the (low) price. PharCo's respondents faced many challenges in this relationship. PharCo has put in a relatively large amount of effort to compel BulkMf to improve its supply chain and operations planning as well as its quality. However, these efforts have not been successful to date.
Supplier's perceptions of expected value	The respondent at BulkMf perceived the expected value to be high. He saw that BulkMf had received good information and support from PharCo. He especially valued the accurate forecasts that he had received. He believed that PharCo's supply chain management practices reinforced the value of the relationship.
Customer's perceptions of trust	The perceived level of overall trust was high from PharCo's point of view, but it was lower than in other studied relationships.
Supplier's perceptions of trust	BulkMf's perception of trust was high.
Customer's perceptions of dependency	PharCo is highly dependent on BulkMf as acquiring an alternative supplier would require large investments and take a considerable amount of time, mostly due to authority requirements in the pharmaceutical industry:
Supplier's perceptions of dependency	BulkMf is not highly dependent on PharCo. The situation with authority requirements increases BulkMf's dependency on PharCo because the amount of time and effort needed to start a buyer-supplier relationship in the pharmaceutical industry also makes acquiring a new customer difficult, but BulkMf has close ties with a pharmaceutical firm that is a competitor of PharCo and much bigger than PharCo.

4. Study 1: A framework for understanding influence and value creation in buyer-supplier relationships: a social exchange theory perspective

Abstract

The aim of this study is to give an explanation for the mechanisms of value creation and influence in buyer-supplier relationships, by applying the basic propositions of SET. Moreover, the purpose of this study is to provide broader understanding of the reciprocal value creation mechanisms, which provides background for the rest of the thesis. Value creation, as based on SET, is always non-contractual, and in close, collaborative buyer-supplier relationships a high amount of value is created through actions that are not described in the contract. Non-contractual methods thus play a focal role in a buyer-supplier relationship. In this study, a framework is produced by combining basic propositions of SET in a novel way to provide an explanation of influence and value creation. The SET constructs and the framework are illustrated by means of an empirical example of a strategic and complex buyer-supplier relationship.

Research question the study addresses: How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?

Table presents the aim and research questions of the thesis.

Objective of the thesis	**To increase understanding about the role of attraction and control boundaries in value creation in strategic BSRs**		
Research questions	How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	How does attraction affect value creation in strategic BSRs?	What explains the control boundaries of a firm in strategic BSRs?
Research questions of the studies			
Study 1:	(x) How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	*	*
Study 2		(X) What are the drivers of buyer-supplier attractiveness in a strategic BSR?	
Study 3		(X) How does mutual attraction affect the success of a strategic BSR?	
Study 4		(X) How can attraction be used strategically?	
Study 5		*	(X) What explains the control boundaries of a firm in strategic BSRs?

(X) The study makes a major contribution to the research question and the specific research question of the study

* The study makes a minor contribution to the research question

4.1 Purpose

This chapter presents the first study of this dissertation. The aim of this study is to give an explanation for the mechanisms of value creation and influence in buyer-supplier relationships, by applying the basic propositions of SET. Moreover, the purpose of this study is to provide broader understanding of the reciprocal value creation mechanisms, which provides background for the rest of the thesis. Value creation, as based on SET, is always non-contractual, and in close, collaborative buyer-supplier relationships, a large amount of value is created through actions that are not described in the contract. Non-contractual methods thus play a focal role in a BSR. This study is conceptual.

Building strategic, collaborative relationships with key suppliers is a critical capability for firms, as suppliers have an increasingly critical role in the competitiveness of a customer (Mortensen & Arlbjørn, 2012). Collaborative BSRs have a long-term orientation, with joint efforts by each partner to create unique value that

neither can create independently. Many of the previous contributions show that collaborative BSRs are linked to improved performance (Dwyer et al., 1987; Singh & Power, 2009; Spekman et al., 1998). The benefits of collaboration make it an attractive; however, collaboration is not a totally unproblematic (Barrat, 2004).

Managing strategic BSRs needs understanding of how these relationships create value for the company, and a method for evaluating that value (Hald et al., 2009; Hogan, 2001). This study suggests that social exchange theory (SET) would help to improve our understanding of joint value creation in BSRs. The power of SET lies in its ability to describe and illuminate the mechanisms of voluntary (i.e. non-contractual) efforts made by individuals, groups, and organisations. Value creation, as approached in SET, is always non-contractual; SET highlights reciprocity and relies on trust. In strategic BSRs, a large amount of value is created through actions that are not defined explicitly in contracts. Formal control, which is based on legal contracts, is only a limited means of influencing business partners. Therefore, voluntary, non-contractual methods play a critical role in managing strategic BSRs.

Previous authors who have relied on SET as a theoretical lens have used it to study a specific research problem. The present study, however, will provide a more comprehensive picture of value and influence mechanisms in BSRs. Our objective is to apply SET to explain the voluntarily motivation and commitment often observed between buyers and suppliers. The study seeks the answer to the following research question: **How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?** The study will provide a precise terminology based on SET to describe key mechanisms of relationships between buyer and supplier, and a framework for social exchange mechanisms of influence and value creation. Using a novel approach, this study combines basic propositions and assumptions that have been suggested and strongly proven by social exchange theorists to a framework, and mirror them against buyer-supplier relationships to increase our understanding of value creation and influence. Our intention, rather than describing all the connections between the constructs presented in the framework, is to focus on value creation and influence mechanisms.

This study is organised as follows. It first presents the research design, followed by a review of the relevant BSR literature and definition of the basic concepts and theoretical propositions of SET. Next, this study proposes a framework of value creation, and proceeds to describe how basic concepts of SET relate to dynamics in BSRs. The SET constructs and the framework are illustrated by means of an empirical example of a strategic and complex buyer-supplier relationship.

Finally, a discussion of the implications for theory and practice concludes the study. The empirical case example given is merely to illustrate the framework and constructs of SET, and not for theory development.

4.2 Methodology

For the research design, this study develops a conceptual framework of value creation and influence by applying basic propositions and constructs of SET. These propositions have been suggested, and strongly proven, by social exchange theorists. The intention in this study is not, as a matter of fact, to develop theory, or to test theory, because all the constructs and their interconnections are already well established in SET. The aim of this study is to combine these in a novel way in the context of BSRs to add to our understanding of mechanisms of value creation and influence. The framework is developed by combining basic propositions of SET developed by previous authors, especially Blau, Homans and Emerson, and by transferring these to BSR context. This brings important contribution to the BSR literature.

The study uses data from a single case study to illustrate the framework, namely OEM-HiTecCo. The case acts as an example of how the conceptual framework can be applied to BSRs. For the illustrative purpose of this study, this particular case is selected for following reasons. The buyer company– OEM - has built its competitive edge substantially on its relationships with suppliers, and has an interest in influencing the supplier in multiple areas that include product design, production, quality, and supply chain. The data collection and case relationship is described in Chapter 3.

4.3 Literature review – value creation in BSRs

Increasingly, firms are engaging in strategic relationships with their selected business partners in order to achieve improved performance, flexibility, efficiency, and to increase competitiveness (Nyaga et al., 2010). Despite these demonstrated advantages, there is only limited empirical evidence on potential mechanisms that enable companies to enhance the effectiveness of their key BSRs (Cannon et al., 2010), and rewards from collaboration have often been dissatisfying (Fawcett et al., 2012). One explanation for this might be that only limited knowledge exists on how BSRs are initiated and developed, and motivations behind relationship development are still fairly unmapped (Mortensen, 2012; Wilkinson et al.,2005). Managing strategic BSRs needs an understanding of how these create value for the organisation (Hogan, 2001), because value creation is considered to be an vital purpose of joining a business relationship (Anderson, 1995; Grönroos, 1997; Grönroos, 2012; Ulaga & Eggert, 2005; Wilson, 1995). Business markets can only be understood by employing the concept of value (Grönroos, 1997).

Value in business relationships is a “positive effect, advantage or benefit associated with the exchange of resources, and perceived or enjoyed by the recipient buyers and sellers of those resources” (Ramsay, 2005, p. 555). The advantages are potential in nature before the exchange, and the business partners can enjoy the benefits only after exchange has taken place. Thus, potential value in BSRs refers to the benefit a company expects to get after the exchange, i.e. receipt of

resources (this can also be called expected value), while realised value is the benefit an organisation enjoys after the resources have been exchanged (Ramsay, 2005). Previous authors have adopted manifold approaches in studying value in BSRs (Corsaro et al., 2012; Kähkönen & Lintukangas, 2012). Many previous investigations approach value as a static concept, value being defined by the difference between benefits and sacrifices, compared to the competition, which generates realised values (Ulaga, 2003). The majority of relationship marketing research has focused on the customers' value (Walter et al.,2001). However, in a dyadic BSR, value is not only created for the customer, but also for the supplier company (Pardo et al., 2006; Ramsay, 2005). Both partners of a BSR will search for and perceive different sources of value (Nyaga et al., 2010; Pardo et al., 2006). This means that a joint understanding of relevant value for both the buyer and the supplier is necessary in order to maintain the commitment of both partners (Smals & Smits, 2012). The supplier's perception of value is much less investigated: some recent examples of this perspective are Ramsay and Wagner (2009) and Smals and Smits (2012).

Value creation in business relationships is definitely not a new notion, and it has been studied in numerous fields, including marketing, strategic management, and operations management. However, Beverland (2012, p. 9) concludes that "although we now know more about value, we still have much to learn". Despite substantial interest in this topic (Lindgreen & Wynstra, 2005; for a review see Lindgreen, 2012), the overall feeling among academics and practitioners is that we have only just started to understand what "value" really means. The most obvious limitation of the conventional analyses of value is their one-sided emphasis on the advantages buying companies enjoy from using services or products offered by suppliers (Ramsay, 2005). Furthermore, value creation is traditionally managed by the buyer with contracts that define the responsibilities and rights of the business partners (Ramsay, 2005).

Thus, this study proposes that exploring non-contractual, reciprocal value creation, as suggested by SET, would provide an important contribution to the BSR literature, because in collaborative BSRs, considerable value is also created through efforts that are not defined in the contract (Nieminen, 2011). A negotiated contract is limited in its ability to realise all the potential benefits from a relationship.

In effect, previous authors have called for more research on social factors in value creation (Schiele et al., 2011). Questions concerning whether both buyers and suppliers benefit from collaboration have been raised, and some researchers have given strong criticism of the unnecessary emphasis on the customer's perspective of value creation. The SET approach focuses on the notion of reciprocity, in which companies collaborate in business relationships with the expectation of giving and receiving rewards (Blau, 1964; Emerson, 1976; Lambe et al., 2001). Firms thus analyse the reward to be gained from a relationship, in the short or long term, and based on this evaluation, adjust their actions towards their relationship partner.

4.4 Social exchange theory

4.4.1 Basic assumptions and propositions of social exchange

SET is concerned with the study of social exchanges between actors (Blau, 1986; Homans, 1961; Thibaut & Kelly, 1959). Social exchange is defined as "voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others" (Blau, 1986, p. 91). The unit of analysis in SET is the relationship between the actors (Emerson, 1976). SET adopts the idea of reciprocity, which suggests that individuals who give a lot to others try to receive a lot from them in response, and that people who receive a lot from others are pressured to give a lot to them in response (Gouldner, 1960; Homans, 1961). As social exchanges are voluntary and often not contracted, they work under uncertainty. Thus, there is no insurance that benefits will be reciprocated in the future or that reciprocation will lead to the reception of future benefits (Das & Teng, 2002). SET is based on the idea that social interactions contain value that can be exchanged (Calhoun et al., 2007). In SET, two different kinds of exchanges are identified. In a negotiated exchange, the partners participate in a joint decision-making process; and in reciprocal exchange, the partners make efforts independently, and exchanges are not negotiated (Molm et al., 1999). SET is often described as a "rational choice" theory, because it proposes that actors function in a way that facilitates the outcomes for which they are seeking (Molm, 1997). SET allows that actors to make conscious calculations; however it does not assume that actors make these (Emerson, 1976). The definitions of basic concepts of social exchange are summarised in Table 18. These concepts are central to understanding the framework this study proposes, and the understanding of some of the terms may differ from the ways in which they are typically discussed in the buyer-supplier relationship literature. Table also provides examples of how these concepts may be demonstrated in buyer-supplier relationships.

Homans (1961), who was on of early theorists of SET, presented five principles to clarify the basic laws of social exchanges: the success proposition, the stimulus proposition, the value proposition, the deprivation-satiation proposition and the aggression-approval propositions. Homans based these laws on behavioral psychology, in which an actor who learns from past experiences attempts to maximize the number of positive responses and to minimize the number of negative responses based on that experience. Therefore, actors who give much to others try to receive much from them in turn, and actors who receive much from others are pressured to give much to them in return (Homans, 1961). The above-mentioned propositions can be elaborated as follows:

Table 18. Definitions of concepts of SET

Concept	Definitions in SET	Examples in buyer-supplier relations
Actor	Individual persons, groups or corporates that engage in exchange (Molm, 1997)	Buyer company, supplier company
Resources	Possessions or behavioural capabilities of an actor that are valued by others (Blau, 1986)	Technical capabilities, supply chain capabilities, geographical location of production
Exchange outcome	The positive or negative value received from another actor in an exchange (Molm, 1997)	See below
Rewards	Outcomes of exchange with positive value (Emerson, 1976). Rewards can be either intrinsic (e.g., the pleasure of being with someone) or extrinsic (e.g., a good or service someone can provide) (Blau, 1986).	Forecasts, helping the supplier to develop processes, information about supply markets, products
Punishments	Outcomes of exchange with negative value (Emerson, 1976)	Longer delivery time than customer is expecting
Exchange	The mutual giving and receiving of valued outcomes by actors (Molm, 1997)	(Reward) exchange refers to value creation in buyer supplier relationships
Exchange domain	A class of outcomes that are functionally equivalent in the way that the receipt of one outcome in the class reduces the value of all outcomes in the same class (Emerson, 1972 b)	Activity that fulfils certain purposes, such as information about supply markets
Primacy	The number of exchange domains that a relationship mediates (Molm, 1997)	In collaborative relationships primacy is high, as collaboration includes several exchange domains
Exchange transactions	A single exchange of mutual value between two actors. Transactions can be *negotiated* or *reciprocal* (Blau, 1986; Molm et al., 1999)	An example of a single transaction in a buyer-supplier relationship is giving a forecast. Many of the transactions are negotiated in contracts. In close, collaborative buyer-supplier relationships, a high amount of value is created through actions that are not described in contracts (reciprocal)
Dependency	Dependency is a function of valuable resources the other actor possesses, and other possible alternatives for the resources (Emerson, 1976)	Valuable resources of the buyer or the supplier increase dependency, and alternative exchange partners decrease dependency

Average power	The average of two actors' dependencies on one another (Emerson, 1976)	If buyer and supplier are both highly dependent on one another, the average power is high. This phenomenon is also called interdependence
Power imbalance	The difference between two actors' dependencies (Emerson, 1976)	The buyer is more dependent on the supplier if the buyer has only one possible supplier of a certain product and this supplier has several alternative customers.

(1) The Success Proposition: "For all actions taken by persons, the more often a particular action of a person is rewarded, the more likely the person is to perform that action" (Homans, 1961, p. 16). This proposition proposes that an actor is more likely to ask others for advice if past advice has been useful to that actor. Moreover, this proposition implies that the more often an actor obtained useful advice in the past, the more often that actor will ask for further advice and be willing to offer advice.

(2) The Stimulus Proposition: "If in the past the occurrence of a particular stimulus, or set of stimuli, has been the occasion on which a person's action has been rewarded, then the more similar the present stimuli are to the past ones, the more likely the person is to perform the action, or some similar action" (Homans, 1961, p. 23). In other words, if two actors earlier experienced the giving and receiving of advice as being rewarding, they are likely to engage in similar actions in the future.

(3) The Value Proposition: "The more valuable to a person is the result of his action, the more likely he is to perform the action" (Homans, 1961, p. 25). This proposition suggests that if the rewards that the actor offers to are perceived to be valuable, the actor is more likely to perform the desired behaviours than he would be if the rewards were not perceived valuable.

(4) The Deprivation-Satiation Proposition: "The more often in the recent past a person has received a particular reward, the less valuable any further unit of that reward becomes for him" (Homans, 1961, p. 29). Homans gives an example of this proposition in which individuals A and B may reward one another so often for giving and receiving advice that the rewards cease to be valuable to them. Timing is important in this proposition as individuals less probable turn out to be satisfied if particular rewards are extended over a long period of time.

(5) The Aggression-Approval Propositions: "Proposition A: When a person's action does not receive the rewards as expected, or receives punishment he did not expect, he will be angry. He becomes more likely to perform aggressive behaviour, and the results of such behaviour become more valuable to him" (Homans, 1961, p. 37). This proposition suggests that, if actor A does not receive the advice he expected and actor B does not receive the praise he expected, both actors are likely to be angry. "Proposition B: When a person's action receives the reward he expected, especially a greater reward than expected, or does not receive punishment he expected, he will be pleased. He becomes more likely to perform approving behaviour, and the results of such behaviour become more valuable to him"

(Homans, 1961, p. 39). Proposition A refers to negative emotions, whereas Proposition B involves positive emotions.

SET is based on the idea that social interactions include value that can be exchanged (Calhoun et al., 2007). The simplest arrangement of an exchange relationship is a dyadic relationship in which both partners control the resources valued by the actor (Molm et al., 1999). However, social exchanges do not usually occur in isolated two-partner structures, but rather, in exchange systems that are characterised by competition for limited resources (Coleman & Coleman, 1994). For example, in the supply chain context, a buyer's relationship with a supplier might mediate the buyer's relationship with valuable third parties such as logistics operators, and other buyer companies are competing for the same limited supplier resources.

4.4.2 The dynamics of power in social exchange

Social exchange relations develop within structures of mutual dependence among actors (Emerson, 1962). As relationship partners exchange valuable resources and rewards, and the involved actors become dependent on these rewards, social exchanges affect the distribution of dependence and, consequently, power in the relationship (Emerson, 1962). This "behaviour in turn influences the party's ability to control the relationship" (Blau, 1986, p. 43). Emerson based his power-dependency theory on the assumption that actor "A's power over actor B derives from and is equal to B's dependence on A" (Emerson, 1962, p. 28). He proposes the following: "The dependence of actor A upon actor B is (1) directly proportional to A's motivational investment in goals mediated by B, and (2) inversely proportional to the availability of those goals to A outside of the A-B relation" (Emerson, 1962, p. 32). He also proposes that "the power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A" (Emerson, 1962, p. 32). Thus, Emerson (1972a) sees the mutual dependence of partners to be the structural basis for their power over one another. In a relationship between actor A and actor B, B's dependence on A grows with the value of benefits that actor A can give for actor B, and dependence reduces with B's access to alternative sources of those benefits. Imbalanced dependencies create an unequal exchange relationship, in which the less-dependent partner has a structural power advantage (Molm et al., 1999).

The power base forms one dimension of power. As a partner's valuable resources increase the other partner's dependence, the valuable resources form the basis of the reward power in the relationship (Emerson, 1972a; 1972b). Reward power refers to control over rewards, which gives one actor the capacity to negotiate otherwise unwilling compliance from the other actor (Samuel & Zelditch, 1989). Other researchers (Molm et al., 1994) have argued that the ability to use punishments also constitutes a basis for power, namely punishment power.

4.4.3 SET in buyer-supplier relationship literature

Within the body of research on the buyer-supplier relationship, SET is still comparatively rare (for more discussion, see Chapter 2). However, SET has recently enjoyed growing attention in BSR studies among operations management, supply chain management, and relationship marketing researchers, and several studies have applied SET (see, for example, Griffith et al., 2006; Hald et al., 2009; Harris et al., 2003; Muthusamy & White, 2006; Narasimhan et al., 2009; Nyaga et al., 2010; Zhang et al., 2009). According to Narasimhan et al. (2009), the lack of research applying SET in supply chain relationships is surprising for two reasons. First, SET can add depth to our understanding of business-to-business relationships (Narasimhan et al., 2009). More notably, elements of SET are broadly used in present models of supply chain relationships. Hald et al. (2009, p. 961) see "that (SET) is a relevant and fruitful perspective from which to examine mechanisms that encourage a buyer and supplier to jointly improve their relationship … the underlying assumptions of being voluntary and operating under uncertainty fit well within the context of a buyer–supplier relationship … Finally, the social exchange perspectives concerned with both extrinsic and intrinsic dimensions of reward are also applicable." Thus, although SET has been applied in earlier BSR studies, the theory continues to have much to offer in this field of research (Nieminen, 2011).

4.5 Framework for value creation and influence in BSRs

It is evident that SET provides a fruitful and relevant perspective from which to examine voluntary motivation and commitment in BSRs. Based on SET's propositions, the study next suggests a framework (Figures 4-7) that provides one explanation for the mechanisms of influence and value creation in BSRs. **The framework is developed by combining basic propositions of SET developed by previous authors**, especially Blau, Homans and Emerson, and by transferring these to BSR context. Here, the discussion in this framework is restricted to the SET's explanations of constructs and how SET sees the constructs are interlinked. Moreover, the intention is not to describe all of the connections between the constructs presented in the framework, but to focus on value creation and influence.

The actors within our framework are a buyer company and a supplier company. SET presumes that these actors act as single units. The framework is divided into three parts to make the discussion easier to follow; Part 1 describes the antecedents of dependency, Part 2 describes power-dependency mechanisms, and Part 3 describes influence and value creation in buyer-supplier relationships. The framework is illustrated with an empirical case example of a buyer-supplier relationship.

4.5.1 Part 1: Antecedents of dependency

In a BSR, the buyer's dependence on the supplier increases with the increase in the value of benefits that the supplier can provide to the buyer; similarly, this de-

pendence decreases with the buyer's access to alternative sources of those benefits, and vice versa (Emerson, 1962). The buyer's perceived dependency and the supplier's perceived dependency are determined by the valuable resources the other partner possesses, other possible alternatives for the same resources, and primacy (Emerson, 1962). Figure 4 illustrates the first part of the framework: the antecedents of dependency. The constructs in the Figures 4-7 are combined from basic propositions of SET developed by SET scholars, especially Blau, Homans and Emerson, and mirrored here to the context of BSRs.

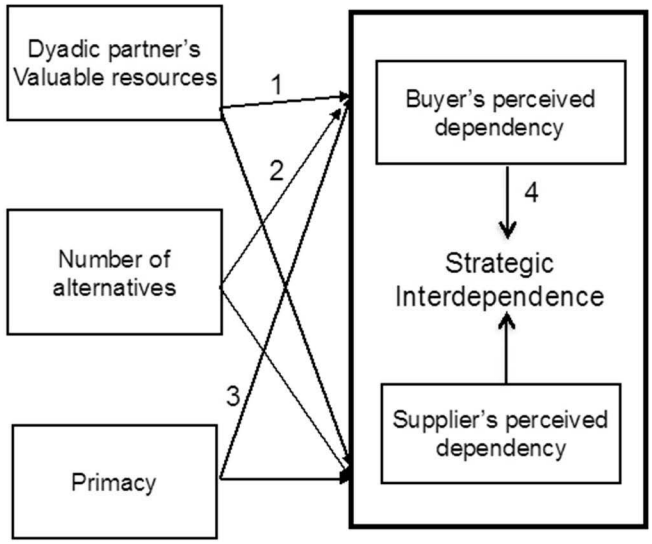

Figure 4. Antecedents of dependency

Resources are the possessions or behavioural capabilities of a buyer or supplier that are valued by the counterpart (Arrow 1). Because the identity of a possession or capability as a resource depends on its value to others, resources are attributes of relationships, not companies (Emerson, 1976). **Alternative customers or suppliers** offer resources that satisfy the same need (Arrow 2). The goods and services provided by these buyers or suppliers form exchange domains, which are classes of outcomes that are functionally equivalent (Emerson 1976). Consistent with the principle of diminishing marginal utility, obtaining one outcome reduces the value of all of the outcomes in that specific domain (Molm, 1997). The benefits having a high value, for example money, are less sensitive to satiation (Molm, 1997). While economic exchange is mostly limited to the exchange of products for money, the scope in social exchange is much larger and includes a various tangible and intangible benefits (Blau, 1986). Within the context of a buyer-supplier relationship, the benefits may include, for example, forecast, market information and technological advice. Across different exchange domains, value refers to an actor's preferred order of these domains (Molm, 1997). Within one domain, value

refers to the amount of outcomes that an actor can possibly receive if engaging in an exchange relationship (Molm, 1997). **The primacy of an exchange relationship** relates to the number of exchange domains that the relationship mediates (Molm, 1997). Relationships with a single domain have low primacy and accordingly, relationships that mediate many domains have high primacy and (Molm, 1997). High primacy affects dependency by decreasing the number of alternatives and by increasing the number of domains (Arrow 3) (Emerson, 1972b). The higher the primacy, the more outcomes the relationship involves (Emerson, 1972b). The primacy of collaborative BSRs is usually high.

When the average dependency is high, a strategic interdependence occurs between the buyer and supplier (Arrow 4). Average power/dependency is a measure of the absolute strength of a buyer's and a supplier's joint power over one another, and thus, results a full interdependence (Caniëls & Gelderman, 2007).

4.5.2 Part 2: Power-dependency mechanisms

Emerson (1962) based his power-dependency theory on the assumption that actor A's power over actor B derives from and is equal to B's dependence on A. Figure 5 illustrates power-dependency mechanisms.

The more dependent the supplier is on the buyer, the higher the structural power of the buyer, and vice versa (Arrow 5). Structural power is the potential power generated by the dependence relations among partners in a business network (Molm, 1990). Emerson makes a distinction between two dimensions of structural power: **average power and power imbalance**. Both average power and power imbalance always influence the social exchange within the exchange relationship (Emerson, 1976). The power imbalance of a relationship is relates to the difference between the powers and/or dependencies of the supplier and the powers and/or dependencies of the buyer. If a buyer is more dependent on a supplier than a supplier is on a buyer, the supplier has a power advantage because it is the less-dependent party. **Imbalance in the relationship increases with an asymmetry in power.** The average power in the relationship can be defined as the average of the powers and/or dependencies of the buyer and supplier. Within the context of BSR, this phenomenon is also called interdependence. These two dimensions of power can vary independently (Emerson, 1962). SET emphasizes that balance does not neutralize power (Emerson, 1962). Next, we discuss how, together, these two dimensions define the amount and distribution of outcomes of power.

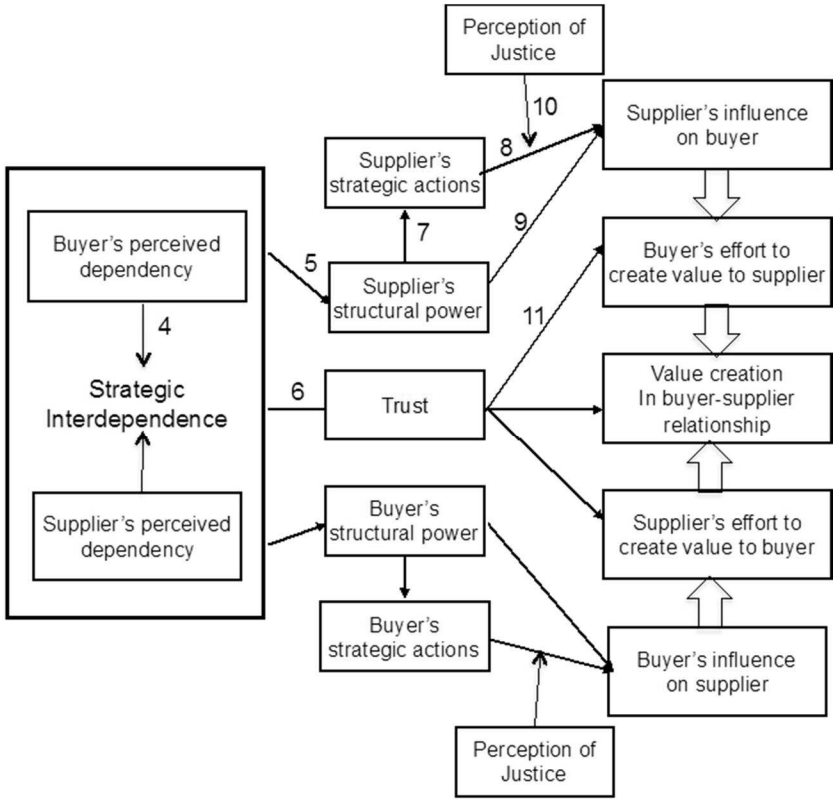

Figure 5. Power-dependency mechanisms

The outcomes of power are the amount and distribution of exchange over the course of a relationship, not over the individual transactions (Arrows 6, 7, 8 and 9) (Emerson, 1972a; 1972b). The outcomes of an exchange are defined by the value that a buyer and a supplier receive from each other within that exchange. Outcomes have positive values, called rewards or benefits, or negative values, called punishments. Rewards may be either intrinsic (e.g., the pleasure of being with someone) or extrinsic (e.g., a good or service that someone can provide) (see also Chapter 2) (Blau, 1986). Withholding potential rewards I also a punishment. In buyer-supplier relationships, an exchange of rewards refers to value creation.

Exchange (namely value creation) can be (1) high or low in value, or (2) high or low in frequency, and it can be (3) distributed symmetrically or asymmetrically (Molm, 1990). **The level of average power influences the value and frequency of exchanges**, meaning that the frequency and value of exchange increase with the average power in the relationship (Arrow 6) (Emerson, 1972a). This represents

the total benefits acquired by both partners in the relationship. A BSR with high interdependency, value creation is frequent and high (Arrow 6). Exchange asymmetry, in turn, determines how benefits are distributed between a buyer and a supplier (Emerson, 1962) and influences the relative benefits. The distribution of benefits in a relationship depends upon whether exchanges are distributed symmetrically or asymmetrically.

An actor uses power to the extent that it receives greater rewards at lower costs (Molm, 1997). Structural power provides a buyer or a supplier with a means to influence outcomes of the BSR in two ways (Emerson, 1962; Molm, 1997; Molm, 1990). First, the use of reward power can be structurally induced, regardless of a buyer's or a supplier's intent to use power to influence the relationship partner (Arrow 9); thus, the partner with more power can influence the counterpart and gain more benefits from the relationship regardless of the intention. Second, through the strategic actions of a buyer or supplier, the actor may influence the outcomes of the relationship**. Structural power gives a buyer or supplier the opportunity to strategically use that power**. Actors can use power strategically by selectively giving or denying rewards or punishments for the counterpart (Arrows 7-8) (Molm, 1990).

Justice influences value creation through restricting the partner's strategic power use in a relationship (Arrow 10), as social exchange is governed not only by the actual benefits received from the relationship, but also by expectations of social norms (Blau, 1986; Homans, 1961; Thibaut & Kelly, 1959). Justice can relate to coercion, reward withholding or differences between an actor's exchange output and reward outcomes and those of other actors. Coercion is more probable to provoke feelings of injustice than reward withholding (Molm et al., 1999). Justice influences the relationship in two ways. First, relationship partners might reduce their power use because of the moral considerations of justice (Blau, 1986). Secondly, as a buyer's use of power indirectly provokes feelings of injustice in a supplier, the supplier may answer with attempts to restore justice by resisting rather than complying with buyer's use of power. This reaction makes the buyer's use of power more costly, and these increased costs will limit buyer's use of power (Molm et al., 1999).

Trust is a focal element of social exchange because social exchanges occur over a long period of time and include unspecified obligations. Trust is also central to social exchange because the fairness of the exchange can be ambiguous (Calhoun et al., 2007). Trust alone does not accomplish value creation, but a lack of trust may hinder efforts towards value creation within the relationship (Arrow 11). In a dyadic BSR, trust has a moderating influence on the expected value of actors (Hald et al., 2009). Non-negotiated exchanges leave the buyer and the supplier vulnerable to one another, and this is the essence of trust (Schoorman et al., 2007). Molm et al. (2000) showed that non-negotiated exchanges not only depend on trust, but also create higher levels of trust and commitment than negotiated exchanges.

4.5.3 Part 3: Influence and value creation in buyer-supplier relationships

Thus far, this study has focused on the ways in which power, which is based on the valuable resources that a buyer and a supplier possess, influences the relationship and reward exchange in the relationship and how this power gives an actor the opportunity to actively influence the relationship. The study next turns the discussion to the mechanisms that enhance or restrict joint value creation in buyer-supplier relationships (Figure 6).

In the terminology of SET, a supplier's reward exchange with a buyer, i.e., the mutual giving (by the supplier) and receiving the valued outcome (by the buyer), refers to the supplier's effort to create value for the buyer (and vice versa). The value of rewards is calculated on a long-term basis, not through a single transaction. In ongoing BSRs, exchange partners are willing to accept short-term imbalances in outcomes given that, over the length of the relationship, outcomes should accurately reflect inputs. When outcome distributions in a long-run are acceptable, the buyer and the supplier view the relationship as beneficial and reciprocate through additional efforts (Griffith et al., 2006).

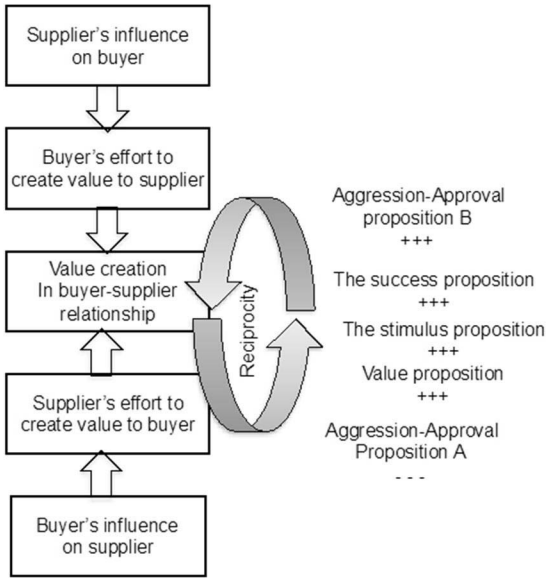

Figure 6. Influence and value creation in buyer-supplier relationships

The mechanisms of joint value creation are influenced by Homans' propositions and the principles of reciprocity. The reciprocity principle proposes that a partner who gives much to the other tries to receive much in return and that a partner who receives much from the other is pressured to give much in return (Homans, 1961). Thus, if a buyer perceives that it receives a high value from the supplier, the buyer

is pressured to create value for the supplier, and similarly, the supplier tries to receive high amount of value from the relationship. Homans' success, stimulus, value propositions and his aggression-approval proposition B enhance joint value creation by suggesting that when a buyer and a supplier perceive that the collaboration with the other party has been valuable in the past, they are more likely to engage in similar activities in the future. More specifically, the value proposition suggests that if the rewards the supplier offers to the buyer are valuable, the buyer and the supplier will be more likely to perform the desired behaviours than they would be if the rewards were not valuable. The success and stimulus propositions suggest that if a buyer and a supplier have collaborated successfully in the past, they will be willing to collaborate more often in the future. Aggression-approval proposition B proposes that if the buyer receives the expected reward or a greater reward than expected and the supplier receives the expected compensation, both partners are more likely to engage in similar activities in the future. The mechanism behind Aggression-Approval proposition A decreases joint value creation, as it suggests that if a buyer does not receive the expected benefits or receives a punishment and the supplier does not receive the expected compensation, both the buyer and the supplier become angry and are less likely to engage in similar actions. Although later authors accused Homans's propositions to be tautological in nature (Emerson, 1976), they provide a useful theoretical lens that may help to explain value creation.

In Figure 7 the SET-based framework of value creation and influence in buyer-supplier relationships is summarized.

4.5.4 Illustrative case

It is useful to consider this concept through an illustrative case. For illustrative purposes, the OEM-HiTecCo case was selected. It is a complex and strategic buyer-supplier relationship. The customer OEM is a global provider of high-technology equipment. The supplier, HiTecCo is generally considered to be one of the technology leaders within its industry. HiTecCo is an important supplier to OEM and OEM purchases from HiTecCo include components that are technically demanding and critical for the performance of the end product. Both parties possess resources and capabilities that the other party values. OEM especially values HiTecCo's high technological capabilities. HiTecCo values OEM's ability to provide new technological expertise and OEM's willingness to provide HiTecCo with innovative ideas. Alternative customers exist for HiTecCo, but HiTecCo has dedicated its capacity and resources to OEM, and it would be a costly process for HiTecCo to completely change the customer. If OEM decides to develop and source a certain component from HiTecCo, the parties are essentially tied to one another throughout the entire lifetime of the end product (i.e., for the coming 10 to 15 years). OEM has made a considerable effort to find a realistic alternative to this supplier, but has determined that changing suppliers would involve a long and difficult process, especially for existing products. Primacy is high for both the buyer and the supplier, as the relationship mediates several exchange domains such as

technological expertise, access to third parties, and information about developments of markets. Consequently, both companies' dependency on the relationship is high, and the companies are strategically interdependent. Interdependency was regarded as a prerequisite for the relationship to work successfully.

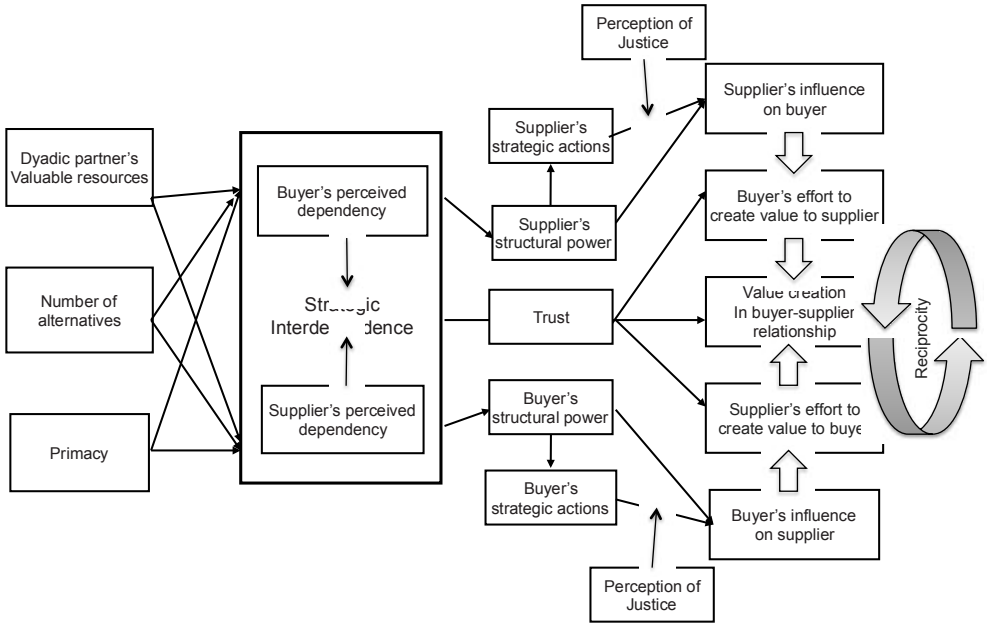

Figure 7. The SET framework of value creation and influence in buyer-supplier relationships

As both OEM and HiTecCo are highly dependent on one another, the average power in the relationship is high and the power imbalance is low, (i.e., the power within the relationship is balanced). These dimensions form the structural power within the OEM-HiTecCo relationship. The high average power influences the relationship in that the collaboration (i.e., reward exchange) is frequent and the total value creation in the relationship is high. Reward exchange is also diverse, as our examples illustrate. Non-contractual influence and exchange are clearly apparent in this relationship. Both partners invest lot of time and resources in the relationship, as both parties devote a remarkable amount of effort to common development projects focused mostly on technological issues. HiTecCo has also put effort into implementing OEM's supply chain management practices and other processes, has dedicated capacity and resources to OEM, and has actively participated in several performance improvement activities of the buyer. OEM puts considerable effort into providing HiTecCo with timely information about customer demand and R&D activities. As discussed earlier, this power can also be strategi-

cally used. One example of strategic use of power within this relationship is OEM's active attempts to influence the production technology of HiTecCo. Both parties have high trust of the other party, which apparently enhances the value creation in this relationship. In addition, the high amount of reciprocal value creation, which is not based on contracts, has produced a higher level of trust.

In the OEM-HiTecCo relationship, the mutually positive past experiences derived from the relationship increase value creation activities, and both OEM and HiTecCo are pressured to give more to the relationship and expect the other party to give much in return.

4.6 Discussion and conclusions

This study responds to the need to study behavioural factors in buyer-supplier relationships (Schiele et al., 2011). Although value creation in business relationships has been widely studied, the mechanisms of value creation are not sufficiently understood. The large number of studies approach customer value as static, and lack comprehension of the role of supplier value or dyad value, although the recent the contributions have progressed our understanding of value in a BSR (Lindgreen & Wynstra, 2005; Lindgreen, 2012). This study contributes to this discussion by adding the understanding of the social mechanisms of value creation and influence.

This study adopted a conceptual approach, drawing upon SET. SET was chosen as the underlying theory because it provides a fruitful approach in describing and explaining the mechanisms of voluntary, non-contractual efforts made by companies. Value creation, as based on social exchange, emphasises reciprocity, and relies on trust. This approach is particularly important in close, strategic BSRs, where a high amount of value is created via actions that are not described in contracts. Although previous studies have shown SET to provide a valuable and fruitful theoretical lens that aids in the understanding and explanation of buyer-supplier relationships, there is a lack of research employing SET within BSR literature (for example, Hald et al., 2009; Narasimhan et al., 2009; Nieminen, 2011).

The findings of this study provide a number of unique theoretical and managerial insights into the management of BSRs. The main value is in the novel combination of the basic propositions of SET and the context of buyer-supplier relationships, providing an explanation for the voluntary value creation and commitment often observed between relationship partners. Its strength lies in that these propositions and the relationship between constructs are substantially proven by social exchange theorists.

Our framework clarifies the role of structural power in value creation. Although the existing literature recognises the significant role of power (Meehan & Wright, 2012), there remains an apparent lack of consensus regarding the connection to value creation. The results from our study show that structural (reward) power – power asymmetry and average power together – explains the amount and distribution of value creation in BSRs.

While most previous studies discussing power and value creation see power (mainly) as a negative force, our study recognises power as an explanation and source for joint value creation. Our study further emphasises the importance of understanding the role of reward power. Although, previous literature has linked reward power to positive effects of the relationship, these studies have mostly focused on its use in the form of incentives (Nyaga et al., 2013; Zhao et al.,2008). Our framework emphasises that reward power is structurally induced and does not need to be used intentionally in order to be effective (Emerson, 1962; Molm et al., 2000). This aspect of reward power fits well with the context of strategic BSRs. A supplier, for example, finding that the buyer has valuable resources, is willing to do what the buyer wants without the buyer needing to ask.

This study combined the power-dependency propositions of SET as suggested by Homans, Blau, Emerson and Molm and the success, value, reward, aggression, and rationality propositions, advanced by Homans in the early phases of SET development. This approach is novel to BSR literature. Although the propositions of Homans are claimed to be tautological in nature, they fit well with value creation of buyer-supplier relationships, by proposing that exchange will enter a reinforcing cycle of reciprocal and increasingly rewarding interactions that strengthen the association between actors. Moreover, the interaction process itself becomes intrinsically rewarding, as also suggested by Ellegaard (2012).

This study also provided a precise terminology based on SET for exploring key mechanisms of value creation. This approach may help inform the research of buyer-supplier relationships, as the constructs of SET are well defined and strongly proven. For example, this study introduced the term “primacy”. Previous studies of buyer-supplier relationships, even those using SET, have generally paid no attention to the primacy construct. Our results nonetheless indicate that the primacy construct would also provide useful insights in exploring buyer-supplier relationships.

It was not our aim in the current study to give a comprehensive picture of all the elements of the framework, but to focus on value creation. Our intention was not, for example, to contribute to antecedents of trust or justice. Trust as such must be one of the most widely studied mechanisms in collaborative relationships (Delbufalo, 2012; Sako, 1992; Seppänen et al., 2007).

For today’s managers, the fundamental outcome of this research is that power asymmetry and average power together explain the amount and distribution of value creation in buyer-supplier relationships, and that reward power is important as a power base in value creation. Thus, managers who wish to increase the effectiveness of their key relationships need to consider reward power and develop it with intent. The framework the study proposed further emphasises the important role of the psychological and social aspects of relationship management. Collaborative relationships can be regarded as a source of innovation (Ellegaard, 2012). Managers need to understand the significance of non-contractual exchanges in collaborative buyer-supplier relationships, because a high amount of value is created through actions that are not described in contracts (Nieminen, 2011). In strategic buyer-supplier relationships, value is created through interaction, and

involves a notable amount of unspecified obligations. A negotiated contract is limited in its ability to achieve all the potential benefits and value of a relationship. Our study shows that an important result of applying SET is the ability of SET to inform an understanding of the overall picture, as well as its well defined and proven constructs and connection between constructs. Given the emphasis on the social aspects of buyer-supplier relationships, future research studies could benefit from a broader application of SET as a theoretical foundation.

Our study shows that an important result of applying SET is the ability of SET to inform an understanding of the overall picture, as well as its well defined and proven constructs and connection between constructs. Given the emphasis on the social aspects of buyer-supplier relationships, future research studies could benefit from a broader application of SET as a theoretical foundation.

5. Study 2: Drivers of attraction in strategic buyer-supplier relationships

Abstract

In a strategic BSR, both the buyer and the supplier aim to utilise the relationship to gain a competitive advantage. Since a strategic BSR requires a lot of effort from both parties, firms have become very selective in terms of whom they engage with in a strategic BSR. Therefore, both the buyer and the supplier must shape their attractiveness in order to get the other party to put effort into the relationship. The purpose of this study is to identify the drivers of attraction in strategic buyer-supplier relationships, to find out if the drivers differ between different BSRs and, if so, why.

The study identified four main categories of both buyer and supplier attractiveness: 1) Economic-based attractiveness, 2) Behaviour-based attractiveness, 3) Resource-based attractiveness, and 4) Bridging-based attractiveness. The study shows that firm's strategic intent in the relationship defines the importance of these bases of attractiveness. The study further identifies three archetypes of attractive buyers and suppliers, and discuses when a buyer and a supplier fit together in a strategic relationship.

Research question the study addresses: What are the drivers of buyer-supplier attractiveness in a strategic BSR?

Table presents the aim and research questions of the thesis.

Objective of the thesis	**To increase understanding about the role of attraction and control boundaries in value creation in strategic BSRs**		
Research questions	How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	How does attraction affect value creation in strategic BSRs?	What explains the control boundaries of a firm in strategic BSRs?
Research questions of the studies			
Study 1:	(x) How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	*	*
Study 2		(X) What are the drivers of buyer-supplier attractiveness in a strategic BSR?	
Study 3		(X) How does mutual attraction affect the success of a strategic BSR?	
Study 4		(X) How can attraction be used strategically?	
Study 5		*	(X) What explains the control boundaries of a firm in strategic BSRs?

(X) The study makes a major contribution to the research question and the specific research question of the study

* The study makes a minor contribution to the research question

5.1 Purpose

This study is the first empirical study of this thesis, and one of the three studies of my dissertation focusing on buyer-supplier attraction. This study uses the data from cases as described in Chapter 3. The present study aims to explore the drivers of attraction in strategic BSRs, to understand their contingencies.

To access critical external resources, such as sources of technology, and to gain a competitive advantage, customer companies aim for a network of 'innovation suppliers', and willingly enter into collaborative relationships with strategically important suppliers (Wagner, 2009). Within the literature exploring BSR development, building relationships that are perceived by both parties as beneficial is increasingly accepted as a valuable resource (Dyer & Singh, 1998; McCarter & Northcraft, 2007). Surprisingly, there is only a limited understanding on how relationships are developed between buyer and supplier companies (Mortensen, 2012). Typically, the purchasing and supply management literature explores only

the buyer company's perspective of the relationship. However, in a strategic BSR, both the buyer and the supplier aim to utilise the relationship to gain a competitive advantage. Because a strategic BSR requires much effort from both partners, companies have become very selective with whom they engage in a strategic BSR. Therefore, both buyers and suppliers must shape their attractiveness to make the other party put effort into the relationship.

Attractiveness has, during recent years, gained increasing attention among researchers because it has been proven to provide a valuable new perspective to understand the drivers of successful inter-organisational relationship performance. Previous researchers have posited buyer-supplier attraction to be a force that induces a buyer and supplier to jointly develop a relationship (Hald et la., 2009; Halinen, 1997; Harris et al., 2003; Mortensen & Arlbjørn, 2012). This proposition is based on social exchange theory (SET), which considers attraction to be a driving force in all social exchanges, as discussed earlier, in Chapter 2.

Recent studies have both shown the importance of attraction and proven its benefits as follows. It has been suggested that customer attraction influences a supplier's commitment to its relationship with its buyers (Ellegaard, 2003; Mortensen & Arlbjørn, 2012), the supplier's level of innovation, allocation of resources (Schiele & Krummaker, 2011), and ability to obtain preferred customer status (Hüttinger et al., 2012; Nollet et al., 2012; Schiele et al., 2011) and value creation (Ellegaard, 2012; Hald et al., 2009). Also, attraction is argued to crucially influence how investments are made across the life of the relationship (Harris et al. 2003). These aspects are emphasized in strategic BSRs, which make exploring attraction in strategic BSR context particularly interesting. In addition, this study argues, based on SET, that attraction plays a pivotal role in explaining influence and value creation in a strategic BSR in which both parties might already enjoy "preferred" status. The importance of this aspect of attractiveness is elevated by (1) buyers' realization that their strategic goals depend on their ability to induce their strategic suppliers to invest effort into the relationship; (2) suppliers' need to maximize the value gained from their important customer relations, and (3) buyers' and suppliers' common endeavour to co-create value through collaboration. This is still an under-researched topic, as previous studies have mostly focused on how to get preferred customer status.

This study aims to answer the following research question: **What are the drivers of buyer-supplier attractiveness in a strategic BSR?** The study also aims to explore if the drivers differ between differ BSRs, and what explains the differences. The objective of this study is to identify the drivers of both buyer and supplier attractiveness in strategic buyer-supplier relationships, and to understand their contingencies. Hüttinger et al. (2012), in their systematic literature review of customer attraction, observe that there is still no consensus as to what might make a buyer more attractive. Studies of business relationships thus clearly require greater understanding of the determinants of attraction (Harris, et al. 2003). Such understanding will facilitate both parties' development of attributes that are important to a strategic BSR, as well as their use of attractiveness to influence each other's decisions.

This study is empirical, and uses the case data explained in Chapter 3. The antecedents of attractiveness as viewed by both the buyer and supplier are explored, as well as from the perspectives of all functions present at the buyer-supplier interface (production, R&D, quality, etc.). Given this possibility, having multiple informants from different parts of an organization affords a more comprehensive picture of what makes a customer or supplier attractive as a business partner.

The structure of the study is as follows. We first review the literature related to buyer-supplier attraction. Our data collection and analysis are described next. We then present our results with respect to the drivers of buyer and supplier attractiveness identified in the study, and analyse how the drivers of attractiveness are contingent on the strategic intent of the firm in the relationship. Following a dyadic analysis of the studied BSRs, we discuss when a buyer and a supplier fit together in a strategic buyer-supplier relationship. Last, we discuss our results, compare our findings with those of previous studies, and suggest future research.

5.2 Literature review

Attractiveness has its origins in the field of social exchange, with SET being the dominant theoretical basis in studies of attraction in business relationships (Huttinger, et al. 2012). Attraction as a construct originates from interpersonal relationships. However, "the core explanatory mechanism of the social exchange theory revolves around the relational interdependence that develops over time through the interactions of the resource exchange partners; thus, this theory is particularly suited to a business-to-business context" (Schiele et al., 2012b, p. 1180). The unit of analysis in SET is a relationship between actors (Emerson, 1976). Exchanges take place within structures of mutual dependence, with each actor's dependence constituting a source of power for its partner (Emerson, 1962).

Attraction is a central construct in SET, its early developers, Blau and Homans, having considered attraction to be a force that brings partners together and nurtures voluntarism (Blau, 1986; Thibaut & Kelly, 1959). SET suggests that attraction always precedes non-contractual, voluntary, reciprocal effort, and that mutual attraction creates a situation in which both relationship partners make voluntary contributions to reciprocate and remain attractive in each other's eyes. Attraction is also valued, moreover, because it generates attraction, as "a person who is attracted to others is interested in proving himself or herself as being attractive to them" by reciprocating and allowing the other to be rewarded for the exchange (Blau, 1986, p. 20). This also logically applies to the buyer-supplier relationship. For a buyer, it is important to be an attractive customer in the eyes of those suppliers that the customer sees as attractive. Blau's (1986) argument that attractiveness in the eyes of another has power within a dyad, because an actor's attractiveness is a resource that increases the reward power in the relationship, derives from his assumption that desired objects in a relationship generate attraction. An actor's valuable resources, because they increase the other party's dependence, constitute the basis of the reward power in a relationship (Emerson, 1972a, Emer-

son, 1972b). Reward power is structurally induced and, unlike coercive power, does not need to be used intentionally to be effective (Emerson, 1962; Molm, et al., 2000). Although social scientists have found it impossible to agree on a definition of attraction, Homans (1961) and Thibaut and Kelley (1959) maintain that the attractiveness of an entity is determined by the difference between the expected rewards from, and the costs of being involved in, a relationship. Attractiveness as approached by SET thus involves a forward-looking orientation (Schiele et al., 2012).

Basing our approach on social exchange theory, this study argues that attraction provides a fruitful and useful construct in the context of strategic BSRs, because it helps to elucidate the mechanisms that lead buyers and suppliers to work jointly to improve such relationships. In a SET-based approach, attraction assumes particular importance in collaborative, strategic relationships in which value is generated through reciprocal efforts, not specified in contracts. We also see that, if based on SET, the dyadic approach to attraction is important, as attraction is an attribute of the relationship, not of an actor.

Although acknowledged occasionally in business relationship research since the late 1980s, attraction only began to be studied in earnest in this context in the early 2000s (Mortensen, 2012). Efforts to define and conceptualise buyer-supplier attraction can be found in the previous literature, but there is no generally accepted definition, and the concept of attraction is still subject to various approaches and interpretations (La Rocca et al., 2012). For instance, Dwyer et al. (1987, p. 16) introduce "attraction" as part of their framework for developing buyer–supplier relationships, defining it as the degree to which buyers and suppliers interactively achieve a reward–cost outcome in excess of some minimum level. Harris et al. (2003, p. 9) define attraction in professional services "as the extent to which relational partners perceive past, current, future or potential partners as professionally appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility". Halinen (1997 p. 59) defines attraction as "a company's interest in exchange with another, based on the economic and social reward-cost outcomes expected from the relationship over time". All of these definitions are derived from SET and have common elements, although they are described and emphasized differently. For the purposes of this study, we follow Blau (1986) and Homans (1961) in labelling the force that draws the buyer and supplier together in a relationship as "attraction", and in defining buyer-supplier attraction as *"*expected rewards minus costs from the relationship*"*. This definition of attraction was used in an empirical investigation and explained to the interviewees.

Two recently published literature reviews of attraction summarise well the research so far (Hüttinger et al., 2012; Mortensen, 2012). Each of these extensive reviews has a different focus, with Hüttinger et al. emphasising customer attraction and preferred customer status, and Mortensen attraction in business relationships (i.e., buyer-supplier attraction). Both studies conclude that empirical research on buyer-supplier attraction remains scant, and that more is needed. Hüttinger et al. (2012, p. 1196) argue that "the literature regarding the antecedents of customer

attractiveness is still in its infancy", citing specifically an apparent overall lack of awareness of, and attention to, the concept of customer attractiveness in a business-to-business context, and, with previously published papers having emphasised different aspects, the absence of an overview of the drivers of customer attractiveness. Mortensen (2012) observes that in much of the previous literature (e.g., Fiocca, 1982; Olsen & Ellram, 1997), attraction is treated in terms of its generic definition rather than as a phenomenon proposed in SET, which explains the initiation and development of a relationship or the cultivation of motivation of relationship parties (Blau, 1986). Table 19 summarises the previous research.

Table 19. Summary of previous research of buyer and supplier attraction

Author	**Method and context**	**Phase of the relationship attraction**	**Supplier attraction/ customer attraction/dyad/ other**	**Findings concerning buyer and supplier attractiveness**
Fiocca (1982)	Conceptual	Not defined	Customer attraction	Attraction is used as a segmentation criterion, among other elements, in customer portfolio management.
Dwyer et al. (1987)	Conceptual	Initiation, exploration, expansion	Dyad	The authors use attraction in explaining the relationship development stages (5 stages). They see that attraction has a role in the initiation, exploration, and expansion phases of relationship development.
Halinen (1997)	Case study, advertising	Initiation and development	Dyad	Attraction is important in the initiation of relationships, but also in the development of a relationship. The attraction is linked to value, trust, commitment, and satisfaction.
Olsen and Ellram (1997)	Conceptual	Not defined	Supplier attraction	The authors use attraction as a segmentation criterion in supplier portfolio management.
Christiansen & Maltz (2002)	Case study, three manufacturing firms	Not defined	Customer attraction	The authors use the term interesting customer, but discuss the same phenomenon as customer attraction. They discuss means for rendering an attractive customer.

Ellegaard et al. (2003)	Case study, two manufacturing firms	Collaborative	Customer attraction	The authors see customer attractiveness as an alternative purchasing approach. Different suppliers need different approaches in attractiveness and the human factor has a significant role in the development of attractiveness.
Harris et al. (2003)	Case study, legal services	Initiation, development, and maintenance	Partner attraction	The authors investigate the role of attraction in different phases of a relationship: initiation, development, and maintenance. They see attraction as a function of economic, resource, and social-based factors. They also determine the elements of attraction in the context of a legal service.
Wilkinson et al. (2005)	Conceptual	Initiation and development	Dyad	Attraction is defined as an expected value related to benefits. The authors see that attraction is as perceived by individuals and focus on the strategic fit between partners.
Moon and Bonney	Conceptual	Not defined	Dyad	The authors focus on interpersonal attraction in industrial settings and underline the role of interpersonal attraction between buyer and supplier.
Mortensen et al. (2008)	Conceptual	Different phases	Dyadic	The authors present a maturity model of attraction, and assume maturity of attraction to increase as the relationship develops.
Ramsay & Wagner (2009)	Case study, UK grocery	Not defined	Customer attraction	The authors focus on supplier value as an antecedent of attraction. They view customer attraction as one approach to improve performance.
Hald et al. (2009)	Conceptual	Collaborative relationships	Dyadic	The authors see that attraction is constructed as the combined output of a complex interaction among expected perceived value, perceived trust, and perceived dependence.
Schiele et al. (2011)	Survey	Initiation, intensification	Customer attraction	The authors focus on supplier innovativeness. They see that technical and behavioural antecedents influence supplier innovativeness. Behavioural antecedents focus the position of the buyer as a supplier's preferred customer. They suggest that these two antecedents influence supplier innovativeness in a positive way.
Schiele and Krummaker (2011)	Case study / benchmarking	Initiation, intensification	Customer attraction	The paper presents the idea of the "preferred customer" and the role of customer attractiveness in preferred customer status.

Baxter (2012)	Survey	Intensification	Customer attraction	The study investigates what makes a buyer attractive to a seller in a business relationship, and encourages the seller to commit to and invest resources preferentially in the relationship. The authors see attractiveness in terms of financial performance as an antecedent of its relationship constructs.
Ellegaard (2012)	Conceptual	Strategic relationship	Dyad	The paper explores interpersonal attraction between buyers and suppliers, and contributes by uncovering the elements and process of interpersonal attraction.
Ellis et al. (2012)	Survey	Not defined	Customer attraction	The authors propose that two buyer behaviours – early supplier involvement and relational reliability – positively affect preferred customer status; a third behaviour – share of sales – has no effect. They also find that preferred customer status is positively associated with a supplier's willingness to share new technology with the buyer.
Hald (2012)	Case study, food and beverage industry	Strategic relationship	Customer attraction	The authors demonstrate how suppliers' formation of perceptions related to customer attractiveness can be understood as constituted through a set of discrete historical means, alignments, and misalignments between boundary-spanning roles in the involved organisations.
Mortensen (2012)	Literature review	Not defined	Dyad	According to the author, attraction can be seen as a future-oriented bond that incorporates expectations of the business relationship and contributes to the motivation for a relationship between the parties and its development.
Mortensen & Arlbjörn (2012)	Single-case study, manufacturing	Ongoing relationship, both low and high performing suppliers	Customer attraction	The study focuses on how attraction influences supplier development. The authors see that attraction has three drivers: economic, resource, and social-based.
Hüttinger et al. (2012)	Literature review	Initiation, intensification	Customer attraction	The authors see customer attraction, supplier satisfaction, and preferred customer status as a cyclical process.
La Rocca (2012)	Multi	Not defined	Customer attraction	The author proposes a measurement instrument for customer attraction. This instrument is composed of 20 items organised in four categories: development potential, intimacy, relational fit, and profitability.

Nollet et al. (2012)	Conceptual	Initiation, intensification, and sustain	Customer attraction	Based on models of the development of the buyer-supplier relationship, on customer portfolio analysis, and on literature on customer attractiveness and preferred customer status, the authors propose steps to become and remain a preferred customer: initial attraction, performance, engagement, and sustainability.
Schiele (2012)	Case study / Benchmarking	Initiation, intensification	Customer attraction	The author identifies characteristics of suppliers who innovate well with their customers, and emphasises the importance of a firm establishing itself as an attractive customer as a prerequisite of successful buyer-supplier collaborations.

Attraction is a dynamic concept and buyer-supplier attraction changes over time (Ellegaard et al., 2003) and plays different roles in different phases of a relationship (Dwyer et al., 1987; Halinen, 1997; Harris et al., 2003; Mortensen et al., 2008). This dynamic aspect suggests that attraction needs to be studied at each of the stages of a relationship. With previous researchers having concentrated on the initiation phase, this study endeavours to examine the later stages of strategic buyer-supplier relationships. As can be seen in the table, not only has the emphasis in previous studies been largely on the set-up phases of strategic buyer-supplier relationships, but most of the antecedents proposed by previous authors (for example, Fiocca, 1982; Hald et al., 2009) have not been based on empirical exploration, with empirical dyadic studies being particularly few in number.

The literature that discusses themes related to attraction is partly overlapping. For instance, trust and expected value, identified to be important elements of attraction, are widely discussed in the inter-firm literature (Delbufalo, 2012; Lindgreen, 2012). However, although these themes are interlinked, it is important that attraction be investigated as an interdependent construct linked to, and influencing, other concepts, such as , trust and commitment, and vice versa (Halinen, 1997). Other concepts that have been studied that are visibly linked to attractiveness include the interesting customer (Christiansen & Maltz, 2002; Wynstra et al., 2003), reverse marketing (Blenkhorn & Banting, 1991; Leenders & Blenkhorn, 1988), supplier value (Ramsay & Wagner, 2009), and customer-perceived value (CPV) (Hansen et al., 2008). Recent studies, nevertheless, strongly propose that the attractiveness construct captures central aspects of the BSR not previously captured by these closely related concepts (Hald, 2012; Mortensen, 2012). A major strength of the attractiveness construct is that SET, the theoretical framework in which it is rooted, includes a set of well-defined constructs, and demonstrated relationships between them, which explain influence and value creation in relations between actors. Thus, a better understanding of attractiveness in BSRs will yield a better understanding of the mechanisms of influence and value creation.

5.3 Methods

This study applies a theory-building approach based on multiple case studies, and using qualitative data from 43 in-depth interviews with representatives of six dyads, as described in Chapters 3. The unit of analysis was thus a dyadic buyer-supplier relationship. Collectively, the data of this study provided six units that were analysed.

Following Eisenhardt (1989), Handfield and Melnyk (1998), McCutcheon et al. (2002), Miles and Huberman (1994), Stuart et al. (2002), and Yin (2009) in adopting the principles of theory building based on case studies, we are at the mapping/relationship-building stage of identifying and describing, in order to determine the causalities, key variables, themes, patterns, and categories that are in play (McCutcheon et al., 2002). The case study is an empirical mode of inquiry that "investigates a contemporary phenomenon within a real-life context when boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used" (Yin 2009, p. 23). Case studies, according to Halinen and Törnroos (2005, p. 1286), "allow the study of a contemporary phenomenon, which is difficult to separate from its context, but necessary to study within it to understand the dynamics involved in settings", and, according to Miles and Huberman (1994), include such advantages as flexibility, richness, holism, causality assessment, and the possibility to locate meanings in natural settings. In the light of these qualities and characteristics, the case-study setting is especially suited to the research question of this study.

Sampling, data collection, and validity and reliability issues are discussed in Chapter 3. The selected case dyads are presented in Section 3.7. Specifically, this study uses the following data from interviews: information about the interviewee (e.g., position and job history); semi-structured questions about the objectives and success of the buyer-supplier relationship and ongoing joint development efforts; and open-ended questions about the buyer's and supplier's attractiveness.

Data analysis was as follows. The first step in the data analysis, grouping our interview notes by company and dyad, provided the basis for mapping the elements of attractiveness and performing cross-case analyses to identify specific differences and common patterns across the dyads.

Answers to the open-ended questions were analysed by compiling our notes from the 25 interviews with representatives of buyer companies, and the 18 interviews with individuals at supplier companies. The process of determining the constructs that best illustrate the elements of buyer and supplier attractiveness was iterative in nature. First, two researchers independently identified and labelled the preliminary constructs, guided by Miles and Huberman (1994) with respect to data reduction, data display, and conclusion drawing and verification. The researchers systematically picked, and grouped using various kinds of visualisations (e.g., mind maps and matrixes), items that appeared to be linked. This resulted in preliminary constructs that could be compared and refined. To determine how often each was mentioned in the interviews, we assigned all of the answers to these constructs. During this phase, we continued to fine-tune the labels given to the

constructs. As can be seen in Table 20, which presents two constructs together with their labels and quotations from the researchers' notes, "communication", an element of customer attractiveness, and "delivery", an element of supplier attractiveness, were discussed in ten different interviews. The table also shows that, although respondents did not necessarily use these words, the essence of their answers is related to these constructs. These results were verified in workshops with the participating companies.

Table 20. How the constructs were collated and the labels assigned

Construct label	Examples of responses
Communication	"The customer is very open to discussing technical solutions with us." "The customer openly discusses products and processes." "The communication could be more open, for example, visibility to the customer's customers, and also outside the daily business, where there might be new opportunities." "The customer could be more transparent about their long-term goals." "The customer could be more proactive; for example, if they find a problem with other suppliers, they could inform us so that we wouldn't make the same mistake."
Delivery	"The supplier has a realistic picture of its delivery capability." "The supplier has very good delivery accuracy." "The supplier can meet the required delivery amounts on the agreed schedule." "The supplier could be better in logistics to achieve shorter delivery times and better delivery accuracy." "Delivery performance is clearly the most important development area for the supplier."

Following Miles and Huberman (1994) and Yin (2009), we performed with-in case and cross-case analyses, from which a great deal of detailed information about each dyad was obtained. On the basis of this information, which we systematically added to our case-study database, we wrote and delivered to the participating companies detailed case reports designed to validate the information obtained and the observations made.

5.4 Results: Drivers of attractiveness in strategic buyer-supplier relationships

This study explores buyer and supplier attractiveness within strategic BSRs as perceived by multiple informants from different parts of both buyer and supplier firms. The respondents share the view that attractiveness is important in developing a strategic BSR but each dyad reveals different perspectives to attractiveness.

Our analysis identified four main categories of both buyer and supplier attractiveness: 1) economic-based attractiveness, 2) behaviour-based attractiveness, 3) resource-based attractiveness, and 4) bridging-based attractiveness. Each of these bases of attractiveness involves a set of attractiveness attributes for both buyers and suppliers. Although buyer and supplier attractiveness share many of the same attributes, the relative importance of these attributes differs, and buyers

and suppliers interpreted many attributes of attractiveness differently. We next elaborate the four bases of buyer and supplier attractiveness in the six dyads studied.

5.4.1 Economic-based attractiveness

The basis of attractiveness for both buyers and suppliers is that the relationship provides economic value. Table 21 presents the drivers of economic attractiveness that were identified in the study. Short-term economic value, as determined by the customer's purchasing volume, fast and reliable payments, price, and costs, was present in all dyads. However, because the studied BSRs were considered strategic for both parties, long-term economic value was emphasised in most interviews.

Table 21. Empirically observed drivers of economic-based attractiveness.

Economic-based	
Drivers of buyer attractiveness	**Drivers of supplier attractiveness**
Size and growth	Price/cost
Fast and reliable payments	Delivery
Customer's success	Quality
Customer's current and new businesses	
Customer's industry	
Future of the industry	

In supplier interviews, customer success, new customer businesses, and the future of customers' industries were identified as being important drivers of buyers' economic attractiveness. Suppliers seemed to evaluate the development of the industrial sectors in which their buyers operated, and the strength of the buyers' positions in those sectors, as well as whether the buyers were investing in new business areas that the suppliers found attractive. The following quotes from the supplier interviews illustrate the suppliers' holistic and long-term view of buyers' economic attractiveness:

"OEM is attractive for us because the industry has become one that uses a lot of computers, so there is a lot of business potential for us. The traditional telecom world is becoming closer to the IT world." (Key account manager, CoCom)

"We see OEM as one of the winners in the future because the company is in good shape." (Worldwide account manager, ContrMan)

"We find PharCo attractive because they operate in the pharmaceutical industry, for which the market is increasing." (Key account manager, MedDev)

In buyer interviews, price/cost, delivery, and quality were generally believed by interviewees to constitute the basic characteristics of an attractive supplier, which was a finding consistent with previous studies that found these attributes to constitute the "hygiene" factors in buyer-supplier partnerships (Goffin et al., 2006). "Delivery" refers to all factors related to the timely and accurate fulfilment of buyers'

needs, and "quality" refers to product quality. In the PharCo-BulkMf dyad, for example, recurring quality problems were clearly the most important factor undermining the relationship. However, in most dyads, because the suppliers' products were perceived to be high quality, quality reinforced the relationship. The SET-derived comparison level (CL) concept appropriately explains the attributes of supplier attractiveness related to operative performance. Previous experience informed each interviewee's perception of what constituted an acceptable performance level, deviations from which either reinforced or degraded the relationship. The following answers from buyers' interviews to the question "What are the characteristics that make the supplier attractive?" illustrate what they thought indicated suppliers' economic attractiveness:

"*The price competitiveness (of HiTecCo). The supplier must not make losses, but they need to possess enough resources to cope with a narrow profit margin". (Category manager, OEM)*

"Price (of ContrMan), although one must be aware of the risks of too low a price, for example the use of child labour. Low price should be based on effective operations." (Supplier manager, OEM)

"Price (of BulkMf). The market situation forces pharmaceutical firms to sell the generic products cheaply. The situation is different with unique products." (Purchasing group manager, PharCo).

5.4.2 Behaviour-based attractiveness

The respondents emphasised the behaviour-based characteristics of partners' attractiveness in all studied BSRs, particularly in those BSRs that had the most intensive and frequent collaboration. Table 22 presents the behaviour-based drivers of attractiveness that were identified in the study. Communication, commitment, trust, and respect were clearly the most important drivers of behaviour-based attractiveness for both suppliers and buyers. Personal relations and a long common history were commonly seen as important antecedents of good communication, commitment, and trust. Most of the buyer-supplier relationships in the case study had a long history, and most of the individuals interviewed had worked with the suppliers in question for a long time. This long-term collaboration was not only an indication that the two parties viewed each other as attractive, but also an indication of the attractiveness that facilitated the initial cultivation of trust and respect between the two parties. Next, the most important drivers of behaviour-based attractiveness elaborated and illustrated.

Table 22. Empirically observed drivers of behavioural-based attractiveness.

Behavior-based	
Drivers of buyer attractiveness	Drivers of supplier attractiveness
Communication	Communication
Commitment	Commitment
Trust and respect	Trust and respect
Long common history	Long common history
Personal relations	Personal relations
Learning in the relationship	Organizational flexibility
Simple and stable processes	
Forecasts	
Willingness to improve	

Although both buyer and supplier interviewees described good supplier communication as open, honest, regular, and present at all organisational levels, we found that the meaning of good communication differs between buyers and suppliers. For buyers, good communication implies access to information about suppliers' production processes, inventories, and costs, and prompts acknowledgment of changes or potential problems. If technological collaboration is important, buyers also expect transparent technology roadmaps. The following quotes from OEM interviews illustrate what communication means from a buyer's perspective:

"They (HiTecCo) are listening, bringing management to OEM, and really investing resources. They also agree on face-to-face meetings when requested." (Head of Technology and Architecture Management, OEM)

"Communication with ContrMan is good. Because there are pre-planned schedules for the meetings, there is a lot of contact. There are also clear instructions given regarding the exchange of information." (Category Manager, OEM)

The suppliers in our study characterised good communication as proactive, not overly aggressive, and focused on opportunities. In particular, suppliers valued communication about strategies and future business development. Suppliers' answers to the question "How could the buyer develop its own behaviour to be more attractive as a buyer?" illustrate communication from the suppliers' point of view:

"Communication could be more open; for example, OEM could improve its visibility to customers and outside the collaborative area, clearly showing areas that have growth potential." (Key account manager, HiTecCo)

"OEM should increase transparency, we would like to better understand OEM's strategy and issues that are important to them, including product and production strategy." (Vice president, global account, ContrMan)

The pivotal role of trust in buyer-supplier relationships is widely acknowledged in the literature (Doney & Cannon, 1997; Morgan & Hunt, 1994; Schoorman et al., 2007; Zaheer et al., 1998). However, whereas the literature commonly defines

trust in terms of ability, benevolence, and integrity, the interviewees in our study most commonly perceived trust as "the other party keeping its word". The literature deems the latter, frequently termed "reliability", to constitute just one element of integrity-based trust. Previous studies have also reported that managers define trust differently from the academic literature (Smeltzer, 1997). The following quote is an example of what the respondents found to be important drivers of behaviour-based attractiveness:

"*Perhaps they (PharCo) don't realise that it's important for MedDev that promises are kept. The problem is mainly in small things; for example, documents might take a lot longer than promised." (Program Manager, MedDev)*

Knowledge-sharing and regular high-level executive meetings demonstrate commitment on the part of both parties to a relationship. Buyer commitment to a relationship can also be demonstrated by involving suppliers in new product development processes, which sends a clear message that outsourcing is a strategic choice, and by being willing to share knowledge. Additionally, purchases from suppliers should be either stable or increasing.

Many of the drivers of behaviour-based attractiveness were the same for buyers and suppliers, but we identified some drivers that were specific to buyers or suppliers only. Suppliers' responses included operational-level issues, such as providing good forecasts and having simple and stable operational processes that strongly affect buyers' behaviour-based attractiveness. Additionally, learning in the relationship and a buyer's willingness to improve were mentioned in the supplier interviews as factors that make a buyer attractive. In turn, "organizational flexibility", which refers to adapting to new business models, standards, contract templates, and collaboration practices, was identified by interviewees as rendering a supplier attractive.

5.4.3 Resource-based attractiveness

While economic- and behaviour-based attractiveness were present in all studied BSRs, resource-based attractiveness played very different roles in different BSRs. In some dyads, attributes related to resources and capabilities were mentioned only occasionally, but in other dyads, they were viewed as the most important and frequently cited elements of attractiveness. Table 23 shows the drivers of resource-based attractiveness that emerged in the study.

Table 23. Empirically observed drivers of resource-based attractiveness.

Resource-based	
Drivers of buyer attractiveness	**Drivers of supplier attractiveness**
Management and competences generally	Management and competences generally
Innovation capability	Innovation capability
Brand and reputation	Brand and reputation
SCM capability	SCM capability
Production process capability	Production resources and capability
	Products and product portfolilo
	R&D resources and capability
	Financial resources
	Size

When the interviewees were asked what makes the other party an attractive buyer/supplier, many respondents started by referring very generally to the management, resources, and innovation capability of the other party. Overall brand and reputation were also mentioned, but only in a few interviews, most likely because most studied BSRs already have a long history. In the early phases of the relationships, the situation might have been different. More specifically, SCM and production process resources and capabilities came forth both in buyer and supplier interviews as important drivers of attractiveness, as illustrated by the following quote:

"ContrMan is able to gather a lot of manufacturing capacity from different parts of the world and can do it considerably faster than we could ourselves." (Category Group Manager, OEM)

Overall, resource-based attractiveness seems to be more essential to buyers than to suppliers. For buyers, suppliers' R&D resources and capabilities also played a very important role in some dyads, as the following answer to the question "What makes this supplier attractive?" illustrates:

"Technology. The supplier has R&D resources and capabilities that OEM may utilise in developing more cost-competitive products and gaining a competitive advantage." (Supplier manager, OEM)

Company size was mentioned frequently by both buyers and suppliers as a driver of attractiveness, but it played a different role for suppliers than for buyers. Suppliers found buyer size to be a driver of economic attractiveness; large buyers provide opportunities for bigger sales. Buyers, in turn, demanded that suppliers be large enough to own the resources to fulfil all their needs, but not so large that the buyers are not able to influence the supplier. For buyers, supplier size was thus a driver of resource-based attractiveness. For all firms, the most important consideration was suitability rather than large size. Both buyer and supplier company interviewees deemed the ideal buyer size to depend on particular strategies.

5.4.4 Bridging-based attractiveness

The fourth category of attractiveness – bridging – denotes that the buyer/supplier is seen as a conduit to a larger value network. We identified three common drivers of bridging attractiveness for both buyers and suppliers, with one driver specifically affecting buyer attractiveness, and one driver specifically affecting supplier attractiveness (Table 24).

Table 24. Empirically observed drivers of bridging-based attractiveness

Bridging-based	
Drivers of buyer attractiveness	**Drivers of supplier attractiveness**
Geographical presence	Geographical presence
Information intermediation	Information intermediation
Access to partners	Access to partners
Organisational links	Position in the value network

The first common driver of bridging attractiveness is the geographical presence of the other party, which plays a different role for buyers and suppliers. Buyers found suppliers located close to important resources (e.g., cheap labour) to be a conduit to a network of valuable partners, shaping a supplier's attractiveness. Suppliers, in turn, valued buyers located in important market areas, acting as a conduit to a network of end customers.

Both buyer and supplier respondents found information intermediation and access to new partners to shape the other partner's attractiveness, but very few had high expectations in this respect. All firms had many sources of information about procurement and customer markets, so it was not crucial to obtain information from a certain buyer or supplier. However, market information and contacts with relevant third parties were valued, as illustrated by the following quotes:

"*In this business, we need many third parties because it is a complicated ecosystem, and all new contacts are valuable." (Category manager, OEM)*

"For example, if all competitors have changed to a new solution and we are the only customer buying the old solution, it is good that the supplier informs us about it." (Category manager, OEM)

In some buyer interviews, a supplier's position in the value network was cited as a driver of attractiveness. Suppliers with close relationships with end customers were valued, and suppliers that served other customers were considered progressive, but not viewed as possessing increased attractiveness. In turn, some supplier respondents stated that a buyer is attractive when it has close organisational links to other companies that are important to them. In both of these cases, the other partner's attractiveness was shaped by its ability to serve as a bridge to valuable resources.

5.4.5 Why do the drivers of attractiveness differ?

We found that different bases of attractiveness played clearly different roles in the studied BSRs. Economic-based drivers of attractiveness were stated to be important in all relationships, and the behaviour-based attributes were important in most relationships. Resource- and bridging-based drivers, in turn, were stated to be the most important in some relationships, but were not perceived to be at all important in other relationships. **The strategic intent of the firm seemed to determine how important each basis of attractiveness was in the BSR.** Strategic intents of the companies in case relationships are presented in Table 10, and discussed in Section 3.7 These observations are consistent with SET's argument that attractiveness is an attribute of a relationship, not of an actor (Emerson 1976).

To conceptualise the different strategic intents, we utilised the research on exploration and exploitation (March, 1991; Gupta et al., 2006; Lavie & Rosenkopf, 2006; Raisch et al., 2009). We defined strategic intent as related to effectively utilising existing capabilities, technologies, and market-offering combinations. Explorative strategic intent in the BSR was defined as developing new capabilities, technologies, and market-offering combinations. When the strategic intent is predominantly explorative, the aim of the firm is to utilise the dyadic relationship to develop business outside the dyad. A buyer perspective to exploitation in a BSR is characterized by utilising effectively supplier's existing capabilities and incremental improvement of supply chain processes. In turn, supplier's angle to exploitation in a BSR considers increasing sales of existing products and services, and supporting current businesses and markets. Accordingly, buyer view to exploration in a BSR is designated by utilising supplier's technological capabilities for radical performance increase and for new business development. Supplier view to exploration in a BSR involves utilising the relationship for developing new capabilities, technologies, and markets. For both a buyer and a supplier, explorative strategic intent is related to leveraging the dyadic relationship to develop business outside the dyad.

We discovered that the strategic intents of the firms in the studied BSRs involved both exploitative and explorative elements, but their relative importance varied. The exploitative element was strongly present in all firms' strategic intents, but the explorative elements were almost missing in some cases, moderately present in some, and strongly present in only a few firms. When the strategic intent was mostly exploitative, economic-based drivers dominated the perceived attractiveness. The more explorative the strategic intent was, the more emphasis was put on resource- and bridging-based drivers of attractiveness. Behaviour-based drivers were present in all relationships, but were not as strong when the strategic intent was primarily exploitative. Utilising the continuum of exploitative-explorative strategic intent in a firm in the BSR, we defined three archetypes of attractive supply chain partners: forerunner, co-developer, and partner in profits (Figure 8). These archetypes share common characteristics, but differ significantly in some respects. Table 25 illustrates how the different drivers of attractiveness appear for these three archetypes.

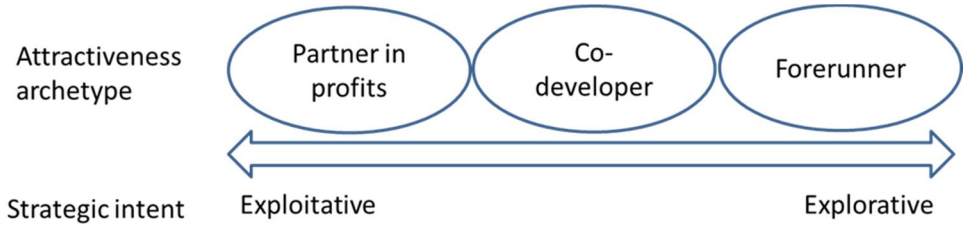

Figure 8. Archetypes of attractive supply chain partners.

Table 25. The importance of different bases of attractiveness for the three archetypes.

	Partner	**Co-developer**	**Forerunner**
Bridging-based	Low	Moderate	High
Resource-based	Moderate	High	Very high
Behaviour-based	High	Very high	Very high
Economic-based	Very high	Very high	Very high

When the strategic intent of the relationship is strongly explorative, a partner that can be described as a forerunner is found to be attractive. A forerunner is at the forefront of a technology or business, and systematically innovates new solutions that drive the entire industry. All bases of attractiveness are highly important for a forerunner. The co-developer archetype is a partner that possesses the will, resources, and basic competencies to engage in collaborative development aimed at improving supply chain processes or products, but does not necessarily produce solutions that are new on a wider scale. Therefore, resource- and bridging-based drivers of attractiveness are not as important as for a forerunner, even though they are clearly present. Whereas these first two archetypes emphasise different types of dynamic capabilities of the other party (Winter, 2003), the partner in profits archetype is highly qualified and performs well, but is not expected to collaboratively develop products or processes. A buyer is an attractive partner if it is successful in its own business, while a supplier is attractive when it is flexible, effective, and efficient, and is able to deliver the products and services a buyer needs.

5.5 Dyadic analysis of buyer and supplier attractiveness

Using the archetypes identified above as a framework, we analyse the six dyads in terms of what type of partner each party was looking for. We then examine how the congruence of expectations affects how the parties fit together. Table 26 illustrates archetypes of the case relationships.

Table 26. The archetypes of the case relationships

	Customer's perception	Supplier's perception
OEM-HiTecCo	Forerunner	Forerunner
OEM-CoCom	Co-developer	Co-developer
OEM-ContrMan	Partners in profit	Co-developer
PharCo-PacCo	Partners in profit	Partners in profit
PharCo-MedDev	Partners in profit	Co-developer
PharCo-BulkMf	Co-developer	Partners in profit

Attraction in the OEM-HiTecCo relationship largely reflects the parties' mutual perceptions of each other as forerunners. HiTecCo's technological competencies serve OEM's strategic objectives by enabling it to develop advanced products at low cost; collaborative product development with OEM in its other businesses yields innovative solutions that afford HiTecCo a competitive advantage in the market.

OEM-CoCom is an example of a relationship in which both parties' strategic intent is to have a "co-developer" partner. Each party values the other highly, and a number of collaborative development projects are ongoing. Both parties invest significant resources in their joint projects, but neither is fully satisfied with the relationship. Because both act as "channel captains" in most of their supply chains, it is often unclear which company's principles and processes are to be followed in managing the common supply chain. They nevertheless share a willingness to resolve the supply chain conflict through collaboration.

The willingness and ability to collaboratively develop efficient production and supply chain solutions is largely what makes ContrMan attractive to OEM. ContrMan has several plants located near OEM markets that provide manufacturing capacity and serve as buffers for OEM. The companies collaborate on product development and design, as well as in new product introduction activities, and ContrMan serves as OEM's pilot supplier in many development projects. For ContrMan, however, the primary interest in collaboration seems to be locking the customer into the relationship; it appears to be attracted to a prosperous, long-term partner that provides ample and growing business opportunities. This dyad is perceived to be much more successful by the buyer than by the supplier.

In the PharCo-PacCo and PharCo-BulkMf dyads, the buyer expected the supplier to collaborate in the development of production and supply chain processes. Neither PacCo nor BulkMf expected the collaborative efforts of PharCo, and both would have preferred just a stable, long-term business relationship. PacCo nevertheless participated in the development effort. BulkMf did not. PharCo perceived its relationship with PacCo to be highly successful, and its relationship with BulkMf to be rather unsuccessful, being satisfied only with the latter's price. PacCo regarded its relationship with PharCo to be moderately successful, despite the benefits of collaboration accruing unilaterally to PharCo. BulkMf's negative perception

of the relationship with PharCo largely reflected disappointment that sales had not increased as expected.

MedDev, which aimed to differentiate itself from bulk manufacturers by enhancing its value offerings and involving itself in its customers' product development processes, made repeated efforts to initiate collaborative development projects with PharCo. Interviewees reported a great deal of potential for improvement in MedDev's relationship with PharCo, leading the latter to pursue a relatively standard agenda of collaboration with its supplier; joint efforts to improve effectiveness and shorten lead times did not evolve into deep or strategic collaboration. With the supplier in this case expecting collaboration with a buyer more interested in just a competitive long-term partner, power is relatively balanced, and neither party can unilaterally determine the relationship's direction. MedDev, wanting to pursue more collaborative development than has occurred, was only modestly satisfied with the relationship, whereas PharCo perceived the relationship to be much more successful.

5.5.1 When do a buyer and supplier fit together?

The case analysis suggests that the best fit is achieved in relationships **when the strategic intents of the buyer and the supplier are close to each other in the relationship.** It is therefore important to communicate one's own strategic intents and to understand the other party's strategic intents, so that both parties can determine whether they are attractive to each other. Understanding the different bases of attractiveness helps in this process. Within the limits of its resources and capabilities, a company can choose how it appears in each relationship. **The same firm can be a forerunner, co-developer, or partner in profits in different relationships at the same time.** The fit is thus a question not only of choosing the right partner, but also of communicating clearly what is expected from the other party, and adapting to the other party's expectations.

The cases show that the relationships can work, and can even work well, when the strategic intents differ, but it is more likely that at least one party will not perceive the relationship to be particularly successful. When the strategic intents differ, the more powerful party decides whether collaborative development takes place, and the weaker party is likely to be disappointed in the relationship. If, however, the weaker party is the supplier, it may find collaborative development advantageous, even though it does not realise any direct operational benefits from it. Of the studied cases, the fit was poorest in the PharCo-BulkMf dyad, in which collaboration was desired by the buyer, the weaker party in the relationship. The supplier proved unwilling, and neither party was satisfied with the relationship.

5.6 Discussion and conclusions

We based this study on the argument that both the buyer and the supplier in a strategic BSR must shape their attractiveness to get the other party to put effort

into the relationship. Despite increasing numbers of attractiveness studies, in-depth empirical explorations focusing on strategic buyer-supplier relationships remain rare. Previous studies have been mostly conceptual (e.g., Hald et al., 2009), or have examined attractiveness exclusively from the perspective of the buyer (Bonner & Calantone, 2005; Ellegaard et al., 2003; La Rocca et al., 2012; Ramsay & Wagner, 2009) or the supplier (Fiocca, 1982). We argue that the present study's examination of attractiveness from the perspectives of both the buyer and supplier provides strong evidence of what makes buyers and suppliers attractive to one another in strategic buyer-supplier relationships. Given the likelihood that opinions might differ, interviewing multiple informants from different functions within the organisations affords a more comprehensive picture of what makes a buyer or supplier attractive as a business partner.

Our first contribution in this study was identifying four bases of attractiveness in a strategic BSR: economic-, behaviour-, resource-, and bridging-based attractiveness. We also identified the antecedents of each of these bases of attractiveness for both buyers and suppliers. Buyers' and suppliers' drivers of economic- and resource-based attractiveness differ substantially, whereas behaviour- and bridging-based elements are close. In addition, we found that when buyer and supplier attractiveness involved the same attributes, the relative importance of these attributes differed between buyers and suppliers, and many attributes were interpreted differently by buyers and suppliers. Our results are consistent with, but extend, the findings of previous research, which has proposed attractiveness as being a function of perceived expected value, perceived trust, and dependence (Hald et al., 2009), and as exhibiting four factors: development potential, intimacy, relational fit, and profitability (La Rocca et al., 2012). Perceived expected value, development potential, and profitability are similar to what we identified as economic-based drivers of attractiveness. In turn, perceived trust, dependence, intimacy, and relational fit are similar to the behaviour-based drivers. The resource- and bridging-based factors are novel and extend our understanding of shaping attractiveness in a strategic BSR.

The second contribution was identifying that the importance of different bases of attractiveness is contingent upon the strategic intent of the firm in the BSR. This finding is consistent with SET, which holds that attractiveness is an attribute not of an actor, but of a relationship (Emerson, 1976). We used research on exploration and exploitation (March, 1991; Gupta et al., 2006; Lavie & Rosenkopf, 2006; Raisch et al., 2009) to conceptualise the differences between the firms' strategic intents in the relationships. This framework helped us to explain why and how the different bases of attractiveness played very different roles in different studied BSRs. When the strategic intent was purely exploitative, economic-based drivers dominated the perceived attractiveness. The more explorative the strategic intent was, the more emphasis was put on resource- and bridging-based drivers of attractiveness. Behaviour-based drivers were present in all relationships, but were less important when the strategic intent was primarily exploitative.

The third contribution concerned identifying three archetypes of attractive buyers and suppliers: forerunner, co-developer, and partner in profits. Archetypes

abstract a complex social phenomenon based on empirical evidence and our understanding of existing knowledge regarding the phenomenon under investigation (Meyer et al., 1993). Specifically, the three archetypes that emerged from the six BSRs condense the complexities of buyer and supplier attractiveness into types that are easy to relate and grasp.

Further, through dyadic analysis of the cases, we argue that the best fit in buyer-supplier relationships is achieved when the strategic intents of the partners are similar. Because a firm can, within the limits of its resources and capabilities, choose how it appears in each relationship, the fit is a question not only of choosing the right partner, but also of communicating clearly what is expected from the other party and understanding the other party's expectations. Previous studies have found strategic fit to be the main predictor of a relational mechanism in business relationships (Lavie et al., 2012; Wilkinson et al. 2005) and cultural fit as being a key success factor in buyer-supplier relationships (Ishizaka & Blakiston, 2012; Kannan and Keah, 2002). Our study contributes to this stream of the literature by showing that the fit of the strategic intent of a relationship affects relationship success. We further propose that it is important to communicate one's own strategic intents and to understand the other party's strategic intents so that both parties can determine whether they are attractive to one another. Understanding the different bases of attractiveness helps in this process. Within the limits of its resources and capabilities, a company can choose how it appears in each relationship. The same firm can, for example, shape its behaviour-based attractiveness in one relationship and bridging-based attractiveness in another relationship at the same time. Fit is thus a question not only of choosing the right partner but also of communicating clearly what is expected from the other party and adapting to the other party's expectations.

The cases do show that the relationships can work when the strategic intents differ, even well, but it is more likely that at least one party will perceive the relationship as unsuccessful. This finding is consistent with the observation of Lavie et al. (2012) that partners who acknowledge their differences can overcome some of the negative consequences of relationship performance. We observed that when strategic intent differs, the more powerful party decides whether collaborative development will occur, and the weaker party is likely to be disappointed in the relationship. If, however, the weaker party is the supplier, it may find collaborative development advantageous even though it will not realize any direct operational benefits from it. Of the studied cases, the fit was poorest in the PharCo-BulkMf dyad, in which collaboration was desired by the buyer, the weaker party in the relationship. The supplier proved unwilling, and neither party was satisfied with the relationship.

Finally, we argue that understanding the bases and drivers of attractiveness and the strategic intent of the counterpart lead to improved cooperation and value co-creation a strategic BSR. This argument is supported by Hüttinger et al. (2012) who propose that customer attractiveness leads to supplier satisfaction and to granting a preferred customer status, Mortensen (2012) who argue that attraction contributes to relationship development, and Schiele (2012) who proposes that

customer attractiveness is a prerequisite of successful buyer-supplier collaboration. Previous studies have also shown that the operational success of the relationship requires that at least one party have high attraction, and mutual attraction creates a win-win situation in which both parties voluntarily cooperate and co-create value (Aminoff & Tanskanen, 2013).

The managerial contributions of this study are twofold. First, we reinforce the notion that companies that seek to influence strategic supply chain partners and foster value creation should attend to their attractiveness, abetted by knowledge of the antecedents of buyer and supplier attractiveness identified here. A company that wants to enhance its attractiveness in the eyes of a buyer or supplier should learn what the buyer or supplier finds attractive, and then take the cost-benefit viewpoint, which, according to SET, affects social exchange. At this stage, the company should consider the full range of ways it might enhance its attractiveness, and should focus on the elements with the best cost-benefit ratio. For example, OEM and PharCo managers tended to think of price and volume as the only means of enhancing their attractiveness to suppliers. The present study broadened that picture by revealing other, often cheaper, ways to increase attractiveness. Second, understanding fit in strategic buyer-supplier relationships helps companies make better decisions when selecting partners and developing relationships with existing partners.

Last, we propose that future scholars further explore the attributes of attractiveness prevalent in different settings. Such research could help to identify additional elements of buyer and supplier attractiveness and more fully elucidate their contingencies. We propose that researchers exploring this avenue of future research apply the “extreme case” strategy proposed by Yin (2013). Exploring situations in which a small company prioritises its influence over a much larger company could be especially intriguing. Also warranting further exploration are attraction and social exchange in different phases of the relationship life-cycle.

6. Study 3: Exploration of congruence in perceptions of buyer-supplier attraction: a dyadic multiple case study

Abstract

In long-term complex buyer-supplier relationships, much of the exchanges are non-contractual, which emphasizes the social dimension of the relationship. Previous studies have shown that attraction is a fundamental aspect of the social dimension and a main driver of the non-contractual exchanges. Although attraction is a determinant of a relationship, many of the previous studies have looked the relationship only from buyer's or supplier's perspective. The aim of this study is to explore the dyadic aspect of buyer-supplier attraction by introducing a notion of congruence to describe the nature and extent of differences in perceptions of attraction. The congruence in attraction refers to alignment of the key elements of attraction. Congruence in perceived attraction would imply, for example, similar expectations around different elements of attraction, such as cost reduction and support of the other party. Accordingly, incongruence implies important differences in expectations about some key elements in behavioural constraints of attraction. The study develops a set of proposals to explain how congruence in perceptions of attraction affects relationship success.

Research question the study addresses: How does mutual attraction affect the success of a strategic BSR?

Table presents the aim and research questions of the thesis.

Objective of the thesis	**To increase understanding about the role of attraction and control boundaries in value creation in strategic BSRs**		
Research questions	How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	How does attraction affect value creation in strategic BSRs?	What explains the control boundaries of a firm in strategic BSRs?
Research questions of the studies			
Study 1:	(x) How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	*	*
Study 2		(X) What are the drivers of buyer-supplier attractiveness in a strategic BSR?	
Study 3		(X) How does mutual attraction affect the success of a strategic BSR?	
Study 4		(X) How can attraction be used strategically?	
Study 5		*	(X) What explains the control boundaries of a firm in strategic BSRs?

(X) The study makes a major contribution to the research question and the specific research question of the study

* The study makes a minor contribution to the research question

6.1 Purpose

As with the previous study, the aim here is to contribute to the emerging theory of buyer-supplier attraction. This is an empirical study, and uses the data from six cases as described in Chapter 3. Although buyer-supplier attraction has received increasing attention in business relationship research in recent years, we argue that the findings of previous studies have yet to provide a full understanding of attraction in BSRs. Dyadic studies on buyer-supplier attraction, and value creation in general BSRs, remain scarce (Terpend et al., 2008; Mortensen 2012).

This study aims to fill the gap by providing a dyadic approach to buyer-supplier attraction through analysis of the congruence of customers' and suppliers' perceptions of attraction. This approach makes an important contribution to the existing literature, as, according to social exchange theory (Emerson, 1976), attraction is an attribute of a relationship, not of an actor. This means that the buyer is not attractive as such, but only towards certain suppliers. The reciprocity principle

emphasises the need for a dyadic approach, as SET proposes that attraction precedes non-contractual, reciprocal effort, and mutual attraction creates a situation in which both parties make voluntary efforts to reciprocate and remain attractive in each other's eyes (Blau 1986). As attraction has also been suggested as a force that makes a buyer and supplier develop the relationship jointly (Hald et al 2009), it is important to understand both parties' perceptions.

In this study, our objective is to explore the underlying expectations and perceptions of attraction in BSRs, as they are central to understanding how the relationship and attraction develop. We propose a systematic approach for exploring these underlying expectations and perceptions about attraction and introduce the notion of congruence to describe the nature and extent of differences in these perceptions. We see congruence in attraction as referring to alignment of the key elements of attraction. Following the definition of Orlikowski (1994), congruent does not mean identical but rather related in structure and content. Congruence in perceived attraction would imply, for example, similar expectations around different elements of attraction, such as cost reduction and support of the other party. Accordingly, incongruence implies important differences in expectations about some key elements in behavioural constraints of attraction. We analyse congruence from two different perspectives (see Figure 9). First, we analyse whether the buyer's perception of the supplier's attractiveness is congruent with the supplier's perception of the buyer's attractiveness. We call this phenomenon 'mutuality of attraction'. Second, we explore how the buyer evaluates its own attractiveness in the eyes of the supplier and whether this evaluation is congruent with the supplier's actual perceptions of attractiveness of the buyer. Conversely, we analyse how the supplier evaluates its attractiveness in the eyes of the buyer and whether this is congruent with the buyer's actual perception of the supplier's attractiveness. We call this evaluation 'self-assessment of attractiveness'.

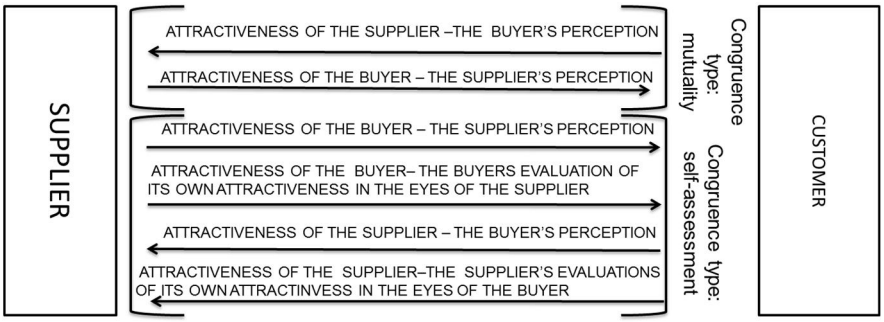

Figure 9. Two different perspectives for analysing congruence in buyer-supplier attraction

Authors of service quality have also been interested in congruencies, or gaps, as they call it, between perceptions and expectations, and they have created a service quality model (ServQual) (see for example Parasuraman et al., 1985). The

researches of ServQual emphasize the need to understand and manage the gap between expectations and perceptions of service, gaps between expected service and perceived service as well as gaps between management perceptions of consumer expectations and consumer expectations (Parasuraman et al., 1985). Parasuraman et al. (1985) argue that the gap between consumer expectations and management perceptions of those expectations will have an impact on the consumer's evaluation of service quality. Their interest lies close to our 'self-assessment' congruence from supplier's point of view, as they are interested in discrepancies between marketers' and consumers' perceptions in quality of service. The model doesn't cover the phenomenon 'mutuality of attraction'.

In this study, the intention is to answer to following research question: **How does mutual attraction affect the success of a strategic BSR?** The study also aims to explore how perception about the other party's attraction affects the success of a long-term customer-supplier relationship. By mutual attraction, we mean high and congruent attraction in the relationship as perceived by buyer and supplier. We base our empirical analysis of attraction to the measurement instrument explained in Chapter 3.

This study is organized as follows. It begins by briefly discussing social exchange theory (SET), which is an underlying theory of attraction. Next, it reviews previous studies of buyer-supplier attraction. The research methodology chapter discusses how we collected our data and performed our analyses. We then briefly describe our case dyads, present our findings and develop a set of propositions. Finally, the results are we discussed.

6.2 Theoretical foundation of buyer-supplier attraction

6.2.1 Attraction in SET

Because the attraction in exchanges has its roots in SET, we will briefly discuss SET's basic assumptions, scope and concepts. The foundational premises of SET may be summarized as follows. Exchange may involve both social and economic outcomes. These outcomes are compared to other exchange alternatives. Positive outcomes increase trust and commitment, and over time, norms develop that govern the relationship (Lambe et al., 2001). Therefore, partners to relational exchange usually rely more on trust, commitment, cooperation, satisfaction and relational norms than strictly on written contracts (Heide & John, 1992). The unit of analysis in SET is the relationship between actors. The actors who engage in the exchange can be either individuals or corporate groups acting as single units. SET adopts the norm of reciprocity, which proposes that people who give a great deal to others try to receive a great deal from them and that people who receive a great deal from others are pressured to give a great deal to them (Gouldner, 1960; Homans, 1961). Blau and Homans, the early developers of SET, considered attraction to be a driving force in social exchanges. Blau (1986, p. 20) stated that "an individual is attracted to another if he expects associating with him to be in some

way rewarding for himself, and his interest in the expected social rewards draws him to the other". Bryne and Rhammey (1965) presented a more precise definition that has been used in studies on interpersonal attraction: "attraction toward X is a positive linear function of the number of positive reinforcements received from X. One party's attraction is visible to the other and is, thus, in the eye of the beholder".

As regarding to power, our basic assumptions are derived from Emerson's (1972 a; 1972 b) approach, commonly called as power dependence theory. Emerson (1972a) proposed that that the mutual dependence of actors provides the structural basis for their power over each other. In an exchange relation between A and B, B's dependence on A increases with the value of benefits that A can provide for B, and dependence decreases with B's access to alternative sources of those benefits. Thus, dependence is determined by two factors; the need for a resource, that other party possess and the availability of alternative sources (for instance alternative suppliers). Unequal dependencies produce an imbalanced relation in which the less dependent actor has a structural power advantage (Molm et al., 1999). Hirschman (1970) discusses discus similar mechanism using 'exit' and 'use voice' constructs. He suggests that customers have essentially two possible responses when they perceive that the organization is demonstrating a decrease in quality or benefit: they can exit (withdraw from the relationship); or, they can voice (attempt to repair or improve the relationship through communication of the complaint, or proposal for change). He further argues that, while the easy availability of the exit option makes the recourse to voice less likely, it appears that the effectiveness of the voice mechanism is strengthened by the possibility of exit (Hirschman, 1970).

6.2.2 Attraction in BSR literature

In this section, we will elaborate on the attraction construct by reviewing marketing and purchasing literature, where attraction has been discussed for some time, Ellegaard (2003) and Harris et al. (2003) being one of the first ones. As attraction is a multidimensional construct, different authors interpret and understand attraction in slightly different ways. Additionally, other terms describing the same phenomenon, such as 'interesting customer' (Christiansen & Maltz, 2002), have been used, and concepts such as reverse marketing and preferred customer (Schiele, 2011) have close links to (customer) attractiveness. Nevertheless, empirical studies of attraction have remained quite scarce. Also, many studies discuss customer attractiveness from the supplier's viewpoint but have examined the opinions of buyers rather than suppliers.

Attraction has been explored from both the buyers' and suppliers' perspectives. Ellegaard and Ritter (2007) argue that attractiveness in included two separate perspectives: 1) the attractiveness of the buyer as perceived by the supplier (defined as buyer attractiveness) and 2) the attractiveness of the supplier as perceived by the buyer (defined as supplier attractiveness). These two perspectives are theoretically independent but may be highly correlated with each other (Elle-

gaard & Ritter, 2007). Many previous studies have suggested that the purpose of being attractive is to improve the ability to manage value creation in the relationship and, to guarantee allocation of resources and to increase commitment (Mortensen, 2012). Christiansen and Maltz (2002) demonstrate the need to be an interesting customer to secure satisfactory performance. If firms cannot manage their supplier relationships through their business opportunities because of the limited business that they offer (for instance in a relationship between a small customer and larger supplier), they must be attractive customers to influence their suppliers.

Attraction has been described as a dynamic concept. Ellegaard et al. (2003) argue that buyer-supplier attraction changes over time. Mortensen et al. (2008) propose a maturity model of attraction, where attraction depends on two dimensions: the maturity of the company and the complexity of the relationship. Dwyer et al. (1987) use attraction to explain the different stages of relationship development and propose a five-stage model of relationship development. The authors use SET to explain the role of motivation, expectations, alternatives, dependency, power and attractiveness in the development of the buyer-supplier relationship. They view attraction as the degree to which buyer companies and supplier companies can operate together to exceed some minimum reward-cost outcome.

Many authors argue that attraction is about perceptions (Hald et al., 2009; Ellegaard et al., 2003) Thus, success of the customer company in influencing its suppliers by being attractive depends on supplier's perceptions of the customer company (Ellegaard, 2004). Ellegaard et al. (2003) emphasize the role played by the human factor.

Thus far, the most comprehensive conceptual model of buyer-supplier attractiveness has been presented by Hald et al. (2009). They have a dyadic view of buyer-supplier attractiveness and base their approach on SET. In their conceptual model, attraction is constructed as the combined output of complex interactions among three constructs: expected perceived value, perceived trust and perceived dependence (see Chapter 3). Harris et al. (2003) also take an SET-based approach and through an in-depth study of legal professionals determine various aspects related to attraction: 1) the conditions for attraction to develop (i.e., geographical proximity, functional proximity and repeated exposure), 2) the lens through which attraction is viewed (i.e., socialization) and 3) the elements of attraction in this context (i.e., complementarity of performance domains, legitimate and reward power, reputation, and social-sexual attraction). Relationship quality, which is most often discussed as perceived by customers, has similarities with buyer-supplier attraction. Some authors, such as Hald et al. (2009) and Ellegaard and Ritter (2007), have been inspired by the work of relationship quality authors, particularly Walter (2003). Findings from Crosby et al. (1990) suggest that a customer's perceived relationship quality donates to a lasting bond with the supplier. Relationship quality includes three dimensions: trust, commitment and satisfaction (Walter et al., 2003). Walter et al. (2003) empirically demonstrated that increasing fulfilment of indirect and direct functions enhances the relationship quality perceived by the buyer. The benefits of direct functions are realised within the specific

relationship (Walter et al., 2003). Direct functions include the cost reduction function, which is a platform for low purchasing prices; quality function; volume function, meaning that a customer can move from a larger supplier base to fewer suppliers with more volume; and safeguard function, which refers to having additional links to other firms that will enable them to secure the supply if one supplier fails to deliver. Indirect functions are beneficial to the customer only in other relationships or in the future. Indirect functions include the market function (i.e., the supplier helps the customer establish contacts with new potential exchange partners); scout function (i.e., passing on technical, exchange or market-related information); innovation development function, which refers to the supplier's support of the customer's innovations activities; and social support, (i.e., working with the supplier is socially satisfying) (Walter et al., 2003).

6.3 Methods

Because of a lack of suitable frameworks that offer explanations of degree of attraction in the relationship and its affection and the influence of congruence in attraction, this study adopted a multiple case study method. The method, the instrument development and case description discussed in Chapter 3. Next, we present the data analysis of this study.

The grades of perceived expected value and trust for both the buyer and supplier in each dyad were calculated. To obtain a deeper understanding of the perceived attraction in each dyad, we investigated the comments related to each statement as well as our notes from the meetings, interviews and workshops with the case companies. When evaluating level of attraction, we used a measurement instrument presented in Section3.3.

Next, we analysed congruence in perceptions of attraction in the elements of expected value and trust. We analysed congruence from two different perspectives "Mutuality" and "Self-assessment", as explained in the Purpose section. We also calculated differences in grades between the buyer's and supplier's answers related to different elements of value and trust. On the basis of these calculations, we defined if there is complete/almost complete congruence, partial congruence or complete incongruence. When the buyer's and supplier's answers differed by more than 1.0 grades (on a scale of 1-5), we defined congruence as follows: (1) in max 1 element of value or trust, complete/almost complete congruence; (2) in 2-4 elements, partial congruence; (3) in 5 or more elements, complete incongruence. We also drew 'profile figures' of congruence in each relationship to obtain a better understanding of differences and similarities in perceptions (Figure 10).

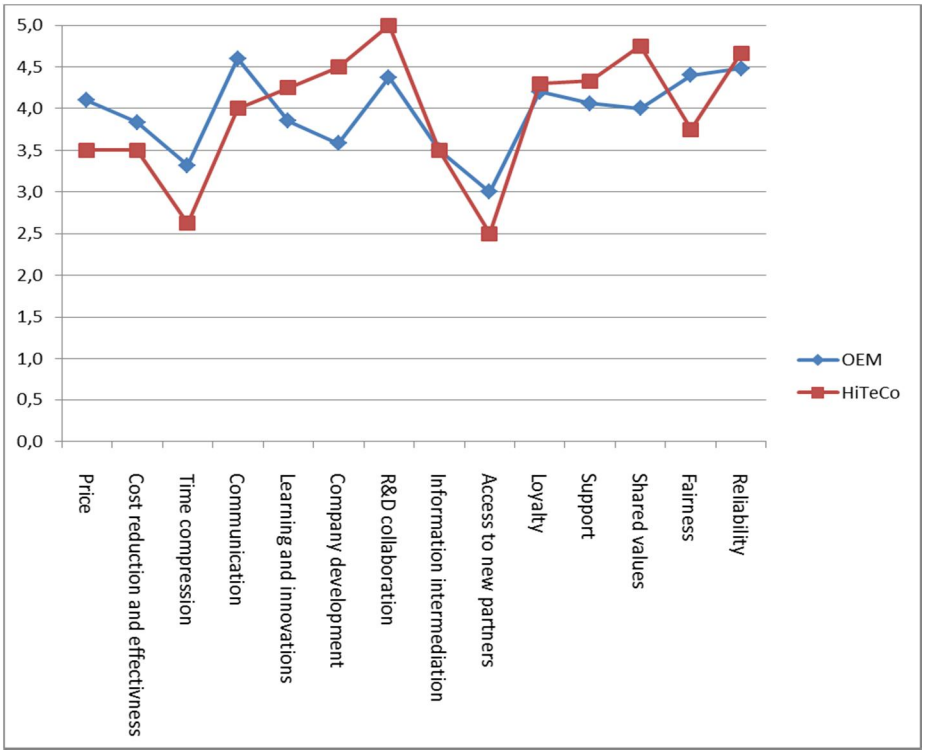

Figure 10. An example of a profile figure - Mutuality congruence

Figure 10 shows an example of mutuality congruence in perceptions in OEM – HiTecCo casei.e. we have analyzed whether OEM's perception of HiTecCo's attractiveness is congruent with HiTecCo's perception of OEM's attractiveness. Figure 11 in its turn shows an example of self-assessment congruence in OEM-ContrMan relationship, i.e. how OEM evaluates its own attractiveness in the eyes of ContrMan and whether this evaluation is congruent with the supplier's actual perceptions of attractiveness of OEM.

Next, we analysed the success of the relationship. In addition to operational performance outcomes, we also looked for strategic benefits of the relationship. In doing so, we provide a more comprehensive look at how the congruence of attraction affects the buyer's relationship success with its collaborative supplier. In interviews, buyer companies rated operational performance in the following areas: technical innovation, cost efficiency, competitive price and product quality. Suppliers rated operational performance in the following areas: increasing sales volume, improving efficiency, obtaining a better price, and fostering technical innovation. We also asked companies to place the different elements in order of importance. We analysed the strategic success of the relationship from the buyer's perspective with the following constructs: supplier's R&D competence, access to new markets

and partners as a result of this relationship, and innovation and development of new and existing products.

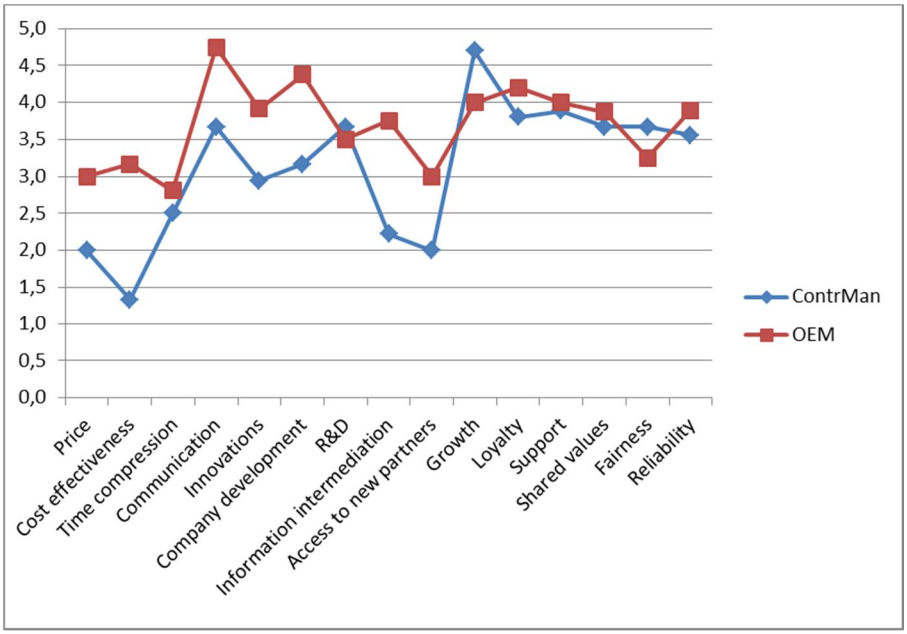

Figure 11. An example of a profile figure - Self-assessment congruence

On the basis of advice provided by Miles and Huberman (1994) and Yin (2008), we conducted within-case analyses, followed by cross-case analyses, which are presented in the following sections.

6.4 Within-case analyses

In this section, we describe our findings from the six buyer-supplier dyads by presenting the success of relationship and summarizing the attraction. Here, when we discuss about one party's attraction, we always refer to the actor's attraction in that specific relationship, not as party's general attractiveness. For more detailed with-in case analyses of attraction see Chapter 3.

Case 1: OEM-HiTecCo

Success of the relationship: OEM's respondents rated the strategic success of this relationship as high. OEM believed the supplier's R&D competence and innovation in (new) product development to be the most important elements of strategic success, and the company highly valued HiTecCo's technical competence to participate in R&D projects and believed HiTecCo's capability and willingness to

participate in innovating and improving existing or new products to be moderate. Overall, both OEM and HiTecCo rated the operational success of the relationship as high. Both were particularly satisfied with the areas that are most important to them, i.e., competitive price and technical innovation for OEM and fostering technical innovation and increasing sales volume for HiTecCo.

Perceived attraction in the relationship*:* Both OEM and HiTecCo perceived expected value and trust to be high in the relationship; therefore, the resultant perceived attraction predicted by Hald et al.'s (2009) model is high. However, this high level of dependency creates some concerns; however, dependency was also perceived to be necessary for making the relationship work. Therefore, the parties did not aim to eliminate the dependency but rather to find an optimal level of dependency. Moreover, the large amount of effort that both parties voluntarily put into the relationship shows that they are highly attractive to one another.

Case 2: OEM-ContrMan

Success of the relationship: OEM perceived strategic success in this relationship to be good, although the importance of the supplier's innovation in product development and in R&D collaboration was considered lower than in two of OEM's other relationships and was rated as mediocre. OEM also found the relationship to be operationally successful. Elements that were considered to be particularly important in the relationship were cost efficiency and competitive price, which were rated highly by OEM's respondents. However, ContrMan perceived operational success to be moderate. Price, which is an important issue to ContrMan, was perceived to be low, and increasing sales volume was perceived to be moderate.

Perceived attraction in the relationship: Both parties perceived trust to be high in this relationship, but the perceived value was high only for OEM. Thus, the level of attraction in this relationship predicted by the conceptual model of attraction (Hald et al., 2009) is high for OEM but only moderate for ContrMan. Dependency does not raise any concerns. We view this result as not fully consistent with other observations. All employees at ContrMan, even high-level executives, voluntarily put much effort into this relationship. ContrMan is willing to adapt to all of OEM's requirements and has adopted OEM's supply chain management practices. One explanation for this discrepancy may be the history of the relationship. Many of ContrMan's current factories are former OEM factories, and many ContrMan employees who hold key positions have a long history of working at OEM. This history may affect both the amount of effort put into the relationship and the degree to which the respondents were critical of OEM in the interviews. Another potential explanation is the comparison level of alternatives (CLA). Even though ContrMan's respondents did not give high grades to the value of this relationship, the value may still be higher than those of their other relationships. In this case, the fact that they voluntarily exerted much effort for this relationship would be consistent with the propositions of SET.

Case 3: OEM-CoCom

Success of the relationship: OEM's respondents considered all elements of strategic success to be at a high level. However, they considered the operational success of CoCom to be only moderate. Cost efficiency was considered the most important objective of relationship development, but it was rated low, which mirrors the situation in the relationship, as it is unclear whose operational model is used and the logistics model in use is not as advanced as those in other OEM relationships. Technical innovation was another important objective, and respondents viewed the supplier's performance as moderate. However, CoCom rated the operational success of the relationship as high. CoCom's interviewees believed efficiency and increase in sales to be the most important objectives and rated both highly.

Perceived attraction in the relationship: OEM perceived both expected value and trust as high in the relationship, and as predicted by the conceptual model of attraction (Hald et al., 2009), attraction is high for OEM. As CoCom perceived the level of trust to be high but expected value to be only moderate, the perceived attraction in the relationship was moderate for CoCom. The model also proposes that OEM had concerns about the level of dependency. These results are quite consistent with our observations.

Case 4: PharCo-PacCo

Success of the relationship: PharCo's interviewees perceived the strategic success of the relationship to be moderate and also perceived the importance of different elements of strategic success to be low or moderate. One explanation for this perception may be that although PacCo is an important supplier, it is not of strategic importance to PharCo. The respondents at PharCo rated the operative success in this relationship as high. They were particularly satisfied with the most important areas, that is, cost efficiency and product quality. The respondents at PacCo, in turn, considered the operational success of this relationship to be moderate and rated success in the most important areas to be low or moderate.

Perceived attraction in the relationship: As predicted by Hald et al.'s model, the level of attraction in this relationship is high for both parties, as both perceived expected value and trust as high. The high level of dependency creates some concerns for PacCo. On the basis of our observations, this prediction seems to hold for PacCo, which puts significant effort into this relationship and is willing to accept PharCo's demands, even if it considers those demands to be disadvantageous to its own work. PharCo, in turn, does not put much effort into this relationship, even though perceived value and trust in the relationship are high and PacCo is a salient supplier in its category. Additionally, PharCo's approach to managing the relationship was more unilateral than collaborative. Thus, 'high attraction' does not describe PharCo's attitude towards PacCo, even though PacCo is an important and convenient supplier for PharCo.

Case 5: PharCo-MedDev

Success of the relationship: PharCo's respondents perceived strategic success to be only mediocre, although they rated the importance of the supplier's R&D competence, participation and innovation in (new) product development to be high. One explanation is that strategic success normally takes years to develop; although the relationship began years ago, its importance to PharCo has only recently increased. Both PharCo and MedDev rated the operational success of the relationship to be moderate. However, both parties were satisfied with the elements most important to them, that is, improving efficiency for MedDev and product quality for PharCo. All other areas were rated low or mediocre.

Perceived attraction in the relationship: The perceived levels of expected value and trust are high on both sides, and the resultant perceived attraction predicted by Hald et al.'s model of attraction is high for both parties. The level of dependency may create concerns for PharCo, but it did not seem to raise much concern because this situation is common in the pharmaceutical industry. According to SET, mutual high attraction should lead to reciprocal exchange, but the reciprocal exchanges were at a quite low level for this relationship. This inconsistency may be explained by the fact that the relationship has been significant for only a short time period, such that the parties have not yet found the most appropriate forms of reciprocal exchange.

Case 6: PharCo-BulkMf

Success of the relationship*:* The strategic success of the relationship was measured as moderate, but PharCo's respondents also perceived the importance of different elements to be moderate or low. The PharCo-BulkMf relationship is problematic, as PharCo has tried to launch development projects to, for example, increase logistics efficiency, and BulkMf, in turn, has been unwilling to develop. However, mainly because of competitive prices, the success of the relationship was mediocre from PharCo's perspective. PharCo's respondents considered product quality to be the most important development area, and it was rated as low. Competitive price was only the fourth most important factor, which may be explained by the fact that a low price is taken as the 'starting point' in the relationship and without it, this relationship would not exist. BulkMf's interviewee found the success of relationship development to be quite low.

Perceived attraction in the relationship: As predicted by Hald et al.'s (2009) model of attraction, the level of attraction in this relationship was low for PharCo and high for BulkMf. According to the model, PharCo should seek to reduce its dependence and leave the relationship. SET suggests that because BulkMf is highly attracted to PharCo, BulkMf should voluntarily work hard on this relationship and aim to become attractive to PharCo. However, the actual situation seemed to be the opposite. PharCo had no plans to leave the relationship or to make any investments to reduce its dependence on BulkMf. In turn, BulkMf was unwilling to

voluntarily put any effort into the relationship. Additionally, BulkMf did not seem worried about its attractiveness to PharCo.

6.5 Cross-case analyses and propositions

Here, we discuss observations made in congruence of attraction across the case dyads and develop a set of propositions. Table 27 and 28 shows the results of the cross-cases analyses .

The within-case and cross-case analyses show that the pattern of attraction in a relationship is distinctly different across the case dyads, and we argue that these differences affect the success of the relationship. We have structured this section as follows. We begin by discussing if perceptions of attraction are congruent between buyer and supplier; next, we elaborate on the reasons for differences in perceptions. Lastly, we discuss how congruence affects the success of the relationship. These results are divided into observations and propositions. Observations are more descriptive in nature and build ground for our propositions. Propositions relate to the reasons for congruence and influence toward the relationship.

Table 27. Cross cases analyses part 1 (OEM relationships)

Supplier	HiTeCo		CoCom		ContrMan	
Buyer	OEM		OEM		OEM	
The company the answer concerns	OEM	HiTeCo	OEM	CoCom	OEM	ContrMan
Relationship length	Long		Long		Long	
Buyer's strategic intent	To utilize HiTecCo's technological capabilities to develop advanced products with low costs		To develop supply chain processes in close collaboration with CoCom, but to act as SC "captain"		Increasing efficiency and flexibility by utilizing ConrMan global resources and by collaboration	
Supplier's strategic intent	Leveraging innovations developed in collaboration with OEM in other businesses		To use OEM as an efficient distribution channel for its' products, develop SC processes collaboratively, but to act as SC "captain"		Increase customer "lock-in" and gain more business by high level customer service and collaboration	
Collaboration in a relationship	Deep collaboration, large product development projects		Many common development projects		Collaboration on product development and design, NPI activities, and supplier acts as a pilot supplier in development projects	
Non-contractual activities	Much non-contractual activities		Much non-contractual activities		Some non-contractual activities	
Communication in a relationship	Intensive, takes place at all organizational levels		Focused on technology strategy, not SC issues. No high level meetings. Daily communication is good		Communication takes place in all organizational levels. ContrMan is dissatisfied not getting enough information about OEM's strategic	
Operational success of the relationship [1)]	3,8	3,9	3,3	3,4	4,0	2,9
Strategic success of the relationship [1)]	3,5		4,0		3,8	
Perceived expected value [1,2]	3,8	3,7	3,7	2,9	4,0	2,6
Perceived trust [1,2]	4,1	4,3	3,9	3,7	4,2	3,6
Dependency	High	High	High	Moderate	Low	Low
Perceived attraction [3]	High, concerns with dependency	High, concerns with dependency	High, concerns with dependency	Moderate	High	Moderate
Party's evaluation of its own value [1,2]	3,6	3,2	3,0	3,1	3,3	3,4
Party's evaluation of its own trust [1,2]	4,1	4,0	3,3	3,5	3,9	4,2
Congruence in attraction (mutuality)	Complete/Almost complete congruence		Partial congruence		Complete incongruence	
Congruence in customer attraction (self-assessment)	Complete/ Almost complete congruence		Partial congruence		Complete incongruence	
Congruence in supplier attraction (self-assessment)	Partial congruence		Complete/Almost complete congruence		Partial congruence	

[1)] Scale: 1=Low, 5= High , 2) Weighted average, 3) As predicted by Hald et al.'s (2009) model

Table 28. Cross cases analyses part 1 (PharCo relationships)

Supplier	PacCo		MedDev		BulkMf	
Buyer	PharCo		PharCo		PharCo	
The company the answer concerns	PharCo	PacCo	PharCo	MedDev	PharCo	BulkMf
Relationship length	Long		Short		Short	
Buyer's strategic intent	To improve efficiency without putting too much effort to the relationship		To have reliable high quality supplies from MedDev, and to keep the relationship stable		To utilize the low-cost structure of BulkMf for achieving competitiveness in the generic products	
Supplier's strategic intent	To keep its position as a "purveyor" even there are several alternative suppliers for PharCo		To enhance its value offerings by involving itself in its customers' product development processes		To get access to European markets through PharCo	
Collaboration in a relationship	Supply chain development projects		So far only little collaboration, but MedDev has a strong will to become more closely involved in buyer's demand chain		Only little collaboration, some operational development projects	
Non-contractual activities	One-way, PacCo conducts much non-contractual activities		Only a little non-contractual activities		None non-contractual activities	
Communication in a relationship	Limited. At PharCo purchasing officer is the only point of contact.		Limited		Limited	
Operational success of the relationship [1)]	3,8	3,0	3,0	3,0	3,1	2,0
Strategic success of the relationship [1)]	2,7		2,8		2,7	
Perceived expected value [1,2]	3,6	3,3	3,2	3,4	2,6	3,9
Perceived trust [1,2]	4,3	4,2	3,7	4,1	3,1	4,2
Dependency	Low	High	High	Low	High	Low
Perceived attraction [3]	High	High, concerns with dependency	Moderate, concerns with dependency	High	Low	High
Party's evaluation of its own value [1,2]	3,3	4,0	3,3	4,0	3,4	2,6
Party's evaluation of its own trust [1,2]	4,0	4,2	3,8	4,5	4,0	3,8
Congruence in attraction (mutuality)	Complete incongruence		Complete/Almost complete congruence		Complete incongruence	
Congruence in customer attraction (self-assessment)	Partial congruence		Complete/Almost complete congruence		Complete incongruence	
Congruence in supplier attraction (self-assessment)	Partial congruence		Complete incongruence		Complete incongruence	

1) Scale: 1=Low , 5= High , 2) Weighted average, 3) As predicted by Hald et al.'s (2009) model

6.5.1 Main observations

In observations (1) and (2), we will discuss how well the buyer's and supplier's views about attraction in a relationship were in congruence, and accordingly, in observations (3) and (4), we will discuss congruence in self-assessment of attraction.

Observation 1: Perceptions of trust in the relationship were more congruent than perceptions of expected value of the relationship.

In other words, when the buyer has high trust in the supplier, the supplier tends to also have high trust in the buyer, but when the buyer perceives the value of the supplier to be high, the supplier does not necessarily perceive the value of the buyer to be high. Moreover, the buyer and the supplier tend to perceive the same elements of trust to be either high or low in a relationship, but the perceptions of different elements of value vary more between the buyer and supplier. In our case dyads, for trust, there was complete or almost complete congruence in five dyads and complete incongruence in one dyad. For value, there was complete or almost complete congruence in two dyads, partial congruence in one dyad and complete incongruence in three dyads. An explanation for this observation is that for trust, there is always a win-win situation in the sense that increasing trust in one party is never disadvantageous for the other party. Regarding value, in addition to win-win situations, there are also win-lose situations, meaning that a party can increase its own value in the relationship at the cost of the other party.

Observation 2: Incongruence between buyers' and suppliers' perceptions of attraction is primarily caused by different views of cost, time compression and communication.

When we analysed in detail the congruence of attraction, we could identify that for some elements of attraction, incongruence was common, while in other elements, perceptions were commonly congruent. Incongruence between buyers' and suppliers' perceptions of attraction is primarily caused by different views of operative cost, time compression and communication. In the elements 'R&D', 'learning & innovation in the relationship' and 'company development from the relationship', the buyers' and suppliers' perceptions appeared highly congruent. For 'time compression' (that is, lead-time, time-to-market and flexibility), incongruence was most apparent, and incongruence was also clearly visible in 'operative cost (reduction)' and 'communication in the relationship'. One explanation is that both buyers and suppliers look at operative cost reduction and time compression through their own lenses, and they may have conflicting goals. A good example of this situation is the PharCo-PacCo relationship, where PharCo has exerted significant pressure for shortening lead times and decreasing lot sizes, which have increased flexibility of production but have also increased PacCo's supply chain costs. However, relationship length did not affect congruence.

Observation 3: Both buyers and suppliers tend to underrate their attractiveness in the relationship.

There was also a tendency for a company to evaluate its own expected value and trust lower than the partner's actual perception was, particularly for issues such as price (in supplier attraction). In 14 of 24 comparisons (four in each relationship; both buyers and supplier's evaluations of their value and trust), the partner evaluated its own attractiveness as lower than other party's perception; in three, the evaluation was the same; and in seven, the evaluation was higher than the other party's actual perception. One explanation for this finding is modesty when evaluating one's own attractiveness.

Observation 4: Buyer companies seemed to be more aware of their attractiveness in the relationship than were the supplier companies.

This observation was surprising, as we expected that because suppliers commonly carry out regular customer satisfaction surveys, they would be well aware of what buyers think of them. However, it seems that the customer satisfaction surveys either measure different things than what we asked or that suppliers do not effectively communicate that information. However, both buyer companies in our study have good supplier management systems, and OEM regularly carries out supplier satisfaction surveys. Therefore, the studied buyer companies may have better than average awareness of their own attractiveness.

6.5.2 Propositions

In this section, we advance four propositions using cross-case analyses. Proposition (1) discusses reasons behind incongruence; propositions (2) and (3) address whether attraction and congruence in attraction (type mutuality) are needed for the relationship to be successful; and proposition (4) deals with the effects of supplier's self-assessment of attraction to the relationship value.

Congruence in perceptions of attraction appeared to be lower in those relationships where the buyer exerted strong, unilateral pressure for the supplier to increase efficiency. In these relationships, the buyer based its unilateral action on the power advantage that was based on the supplier's dependence. This situation was most visible in the PharCo-PacCo relationship, as PacCo was ready to do anything PharCo asked, even when they felt that it was disadvantageous for them. One explanation is that in unilateral relationships, parties do not learn to know each other as well as in bilateral relationships. Moreover, Liker and Choi (2004) found in their study of major American car manufacturers that when buyers make unilateral demands for price reductions at the expense of supplier margins, suppliers perceive low trust and expected value and a strong sense of dependence. These observations lead us to our first proposition:

Proposition 1: The more unilateral demands that are made in a buyer-supplier relationship, the higher the incongruence of perceived attraction will be.

As observed, the relationship was successful for at least one party in the following relationships: OEM-HiTecCo, OEM-ContrMan, OEM-CoCom, and PharCo-PacCo. In all of these relationships, the buyer perceived the supplier to be highly attractive, which indicates that it is sufficient that at least one party is attractive and thus, according to SET's appraoch, determined to develop the relationship. According to SET, attraction is a driving force in voluntary social exchanges (Blau, 1986). In the OEM-ContrMan and PharCo-PacCo relationships, it is the buyer who perceived both the attraction and success to be high. In the OEM-CoCom relationship, only CoCom perceived the success of the relationship to be high, as only the buyer perceived the attraction to be high. Hence, our results also indicate that the buyer's perception of attraction is more important than the supplier's perception. Here, when interpreting our results, it is important to note the comparison level of alternatives (CLA). Attraction was at least at a relatively high level in all of our

cases, as one requirement for the case relationship was that it is important. We summarize these findings in the second proposition:

Proposition 2: The operational success of the relationship requires that at least one party have high attraction.

In proposition 2, we argue that for a relationship to be successful for one party, it is sufficient that only one party has high attraction. Regarding mutual success, our finding is that it requires mutual attraction; however, mutual attraction does not necessarily lead to mutual success. Earlier, we defined mutual attraction as both high (perceived by both parties) and congruent. Mutual attraction was most explicit in the OEM-HiTecCo dyad. In this relationship, there was congruence in perceptions of attraction; attraction was perceived as high by both parties, as predicted by Hald et al.'s (2009) model, and it was evident that both companies highly appreciated resources owned by the other party. Both companies were committed to developing the relationship. Collaboration was deeper than in other dyadic cases, and there was significant reciprocal exchange. According to SET, attraction encourages voluntary efforts to develop the relationship. Thus, mutual attraction creates a win-win situation in which both parties make voluntary efforts to reciprocate and remain attractive in each other's eyes. In the Phar-Co-MedDev relationship, there was congruence in the perception of attraction, but the level of attraction was not perceived as high as it was in the OEM-HiTecCo relationship. In other dyads, there existed only partial congruence or complete incongruence in perceptions of attraction, which leads us to our next proposition:

Proposition 3: Mutual attraction precedes but does not guarantee the mutual success of the relationship.

All three of OEM's suppliers evaluated their own attractiveness (both trust and value) to be lower than OEM's actual perception of their attraction. In turn, all of PharCo's suppliers evaluated their attractiveness to be higher than PharCo's actual perception of attractiveness was. Power-dependency theory (Emerson, 1962) explains this finding, for it is advantageous for the buyer if suppliers underrate their attractiveness because they will also underrate their position of power in the relationship. Furthermore, the supplier is pressured to provide more value and to show trustworthiness to the buyer to shape its attractiveness and balance the power. The fact that OEM rated the strategic success and value of all of its relationships higher than did PharCo provides support for this reasoning behind proposition 4. These findings lead us to our fourth and final proposition:

Proposition 4: The buyer perceives the strategic success and value of the buyer-supplier relationship to be higher when the supplier underrates its own attractiveness

6.6 Discussion

Building on recent development in industry and research, we explored attraction in buyer-supplier relationships and its effect on relationship success. Our study lends support to previous research on the concept of attraction and social forces in BSR

management and sheds light on the role of attraction in the success of buyer-supplier relationships. For the most part, previous studies have only examined the perspective of the buyer or supplier, and this study is one of the first to take a dyadic view of attraction and analyse whether congruence in perceptions of attraction is important. We analysed two types of congruence in attraction, that is, mutuality and self-assessment.

The results of this study show that attraction plays an important role in relationship success and that mutual (high and congruent) attraction precedes, but does not guarantee, mutual success in the relationship. This finding means that developing attraction in a relationship creates possibilities for increasing relationship success, but companies must work to realize these possibilities. Our empirical results support Hald et al.'s (2009) conceptual argument that in order to management and control mechanisms to work and, thus, for value to be transferred between buyer and supplier, the dyadic actors must view the relationship as attractive. Some authors have shown that a high level of customer attractiveness helps to ensure the prime commitment of capable suppliers (Christiansen & Maltz, 2002; Leenders & Blenkhorn, 1988; Ellegaard et al., 2003; Schiele et al., 2011). Our results extend that proposition by suggesting that mutual high attraction is needed for mutual success.

One of the main foundations of SET is that attractiveness is an attribute of a relationship, not of an actor (Emerson, 1976). Characteristics that make a firm attractive for some business partners do not necessarily have an effect on other business partners. We found that companies understand surprisingly poorly what makes them attractive business partners in specific relationships, and how other parties see them. At the same time, understanding one's own attractiveness in a relationship would be significant to be able to develop relationship. This finding supports Ramsay and Wagner's (2009) argument that buying organisations would benefit from understanding what their suppliers need. With this information, the buyer is able to identify previously unexploited sources of supplier value and to modify purchase offerings to increase power over the supplier. We also found that to improve attractiveness, firms should use a differentiated approach with each business partner. This finding is consistent with Ellegaard's (2003) study, which emphasizes differentiated approaches in the management of attraction.

This study has several managerial implications. First, the findings of this study show that buyer-supplier attraction plays a strong role in the success of relationships and that developing a company's attractiveness in the eyes of the other party is essential. For today's managers, this finding emphasizes the important role of psychological and social aspects of relationship management. Schiele et al. (2011) also argue that the role of behavioural factors in buyer-supplier relationships is not sufficiently understood and that human behaviour and cognition and their influence on decision making must be taken into account. The managers need to understand the significance of the non-contractual exchanges and the role of attraction as a driving force in the exchanges, as in collaborative buyer-supplier relationships high amount of value is created via actions that are not described in the contracts. Our findings offer a good basis for business managers to better

understanding the potential of developing attractiveness in a relationship. Second, our results indicate that it is important for managers to understand how their company looks in the eyes of the other party to be able to develop attractiveness. A manager must first identify which firms (suppliers, customers, among others) are most important for its future and understand what characteristics those firms find attractive, and then develop those characteristics. It is important to maintain and develop attractiveness in those relationships that are important in the future. The challenge is that every partner values different aspects of a relationship; a company is not attractive in general but is, instead, attractive to a particular partner. The third managerial implication pertains to cooperation, as managers must consider whether they want to take a cooperative (bilateral) approach or a more competition-based (unilateral) approach to relationship management. Our results indicate that in bilateral relationships, parties learn to know one another better, which may lead to both operational and strategic advantages.

There is no empirical study without limitations. This study contributes to the existing theory by shedding light on the dyadic aspect of attraction. We opened a door to the discussion between dyadic buyer-supplier attraction and relationship success, but more exploration is necessary. In our research design, we did not add cases until they reached the saturation point because we reached our limit for managing data at six dyads. Further studies are needed to enhance the results of this study and to improve its external validity. The literature generally advises that researchers continue to add cases until they begin to see already-observed phenomena. This development generally indicates that the saturation point has been reached (Eisenhardt, 1989; Yin, 2013). However, Eisenhardt (1989) showed that pragmatic considerations, such as time and money, often limit the ability to reach the theoretical saturation point in a single study. In this study, we were most interested in the congruence of attraction across relationship partners. We note that perceptions about attraction may also be internally inconsistent. For example, product development personnel may see the situation differently than do purchasing managers. Future research that examines how these differences affect the buyer-supplier management would be intriguing.

7. Study 4: The strategic use of attractiveness in buyer-supplier relationships: a framework

Abstract

Customer attraction plays a focal role in gaining “preferred customer” status, in resource allocation, and in fostering joint value creation in a strategic relationship, and managers are increasingly interested in developing attraction as a customer, but they face many challenges. The aim of this study is to discuss the role of attraction as part of supplier relationship management, and to advance a framework for the strategic use of attraction. The study also aims to give practical examples of how this framework can be applied to manage attraction.

Research question the study addresses: How can attraction be used strategically?

Table presents the aim and research questions of the thesis.

Objective of the thesis	**To increase understanding about the role of attraction and control boundaries in value creation in strategic BSRs**		
Research questions	How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	How does attraction affect value creation in strategic BSRs?	What explains the control boundaries of a firm in strategic BSRs?
Research questions of the studies			
Study 1:	(x) How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	*	*
Study 2		(X) What are the drivers of buyer-supplier attractiveness in a strategic BSR?	
Study 3		(X) How does mutual attraction affect the success of a strategic BSR?	
Study 4		(X) How can attraction be used strategically?	
Study 5		*	(X) What explains the control boundaries of a firm in strategic BSRs?

(X) The study makes a major contribution to the research question and the specific research question of the study

* The study makes a minor contribution to the research question

7.1 Purpose

This study continues the discussion started in Studies 2 and 3, and thus aims to contribute to the emerging theory of buyer-supplier attraction. This study focuses on customer attraction, an approach that emphasises the importance of influencing the supplier's perceptions of the relationship, and building key suppliers' positive perceptions of customers. For the supplier to invest resources in the relationship, it needs to perceive the customer as attractive. Studies 2 and 3 have emphasised the dyadic approach in buyer-supplier attraction, i.e. the importance of both parties' perceptions, and congruence in the perceptions. The purpose of this study is to identify how attraction can be used strategically. This study is conceptual, and it uses the empirical data from the case studies (described in Chapter 3) to illustrate the conceptual framework.

Conventionally, the potential supplier is considered the initiator of the relationship between a supplier and a buyer. The salesperson attempts to convince a

customer to do business with his/her company, and these efforts may – or may not – lead to becoming a supplier of choice (Nollet et al., 2012). However, as buyer companies are increasingly dependent on their suppliers, the dynamics between the selling and buying companies have changed (Dyer & Singh, 1998; Johnson et al., 2010). An important issue for business managers to consider is why suppliers would put their best effort into things that create value for their company. To attract serious attention from the supplier and ensure its willingness to contribute to the customer's competiveness, buyers need to understand how to make their organisation a more attractive customer (Schiele, 2012). Thus, buyers now need to implement proactive supply strategies, while improving their relative position towards suppliers (Schiele, 2012). Otherwise, customer companies may find that the security of supply and supply chain competitiveness may be in danger. A supplier survey conducted by Bew (2007) demonstrates that customer status carries more weight than managers have thought:

- 75% frequently offer 'rare' products and services to their preferred customers (also demonstrated by Ivens & Pardo, 2007);
- 82% indicate that this type of customer is the first to have access to new technologies and innovations;
- 87% offer lower prices to their preferred customers (Nollet et al., 2012).

Buyer companies should understand that they are competing with other buying companies for resources from their suppliers, continuously being evaluated and, consequently, receiving differential treatment. Only after understanding this can the buying company establish appropriate strategies to improve the way it is perceived to obtain functional or non-functional benefits (Lindwall et al., 2010).

In this study, we suggest that attraction should be viewed as part of supplier relationship management (SRM), which is "the business process that provides a structure to develop and maintain supplier relationships" (Lambert & Schwieterman, 2012, p. 337). This approach is important, because for a (theoretical) concept to spark managerial interest, it needs to be manageable. **We suggest that a buyer can influence a supplier's perceptions of attraction by adopting a management approach that improves the social elements of exchange.** It is a well-recognised basic rule that a company can only manage what can be analysed; thus, the concept of attractiveness is only beneficial to management if it can be assessed (La Rocca et al., 2012; Ellegaard, 2012). In this study, we agree that an important aspect of the management of attraction is SET's suggestion **that actors can use strategic actions to increase attraction**. This means that, to influence the course of an ongoing relationship, partners can use their valuable resources both selectively and in a contingent manner in response to others' actions (Molm, 1990). It seems that previous studies of buyer-supplier attraction lack this approach. This study aims to answer the following research question: **How can attraction be used strategically?** We also aim to explain how companies manage attraction as part of their supplier relationship management. For this purpose, we develop a framework by coupling SET with the previous literature on

buyer-supplier relationships and attraction. We illustrate the framework with data from three buyer-supplier relationships. Furthermore, we aim to emphasise one of the main foundations of SET: attraction is an attribute of relationships, not of actors (Emerson, 1976). However, many previous authors have focused on buyer-supplier attraction at a general level, not at relationship level (Mortensen, 2012). In addition to the gaps in the academic research, the motivation for this study arose from purchasing managers who had struggled with developing and managing customer attraction.

This study is organised to develop our framework in a progressive manner. The next section presents our methodological approach. The following section provides a theoretical basis for our study and a short review of the literature on buyer-supplier attraction. Next, we advance our framework and illustrate it with data from three dyadic buyer-supplier relationships. Finally, we discuss our results, compare our findings with those of past studies and make proposals for future research.

7.2 Research design

For our research design, we have a conceptual approach. We couple the SET and buyer-supplier relationship literature to develop a process and a conceptual framework and then use data from multiple case studies to illustrate that framework. We use data from three case relationships; the cases being the relationships of OEM with its three suppliers (see also Chapter 3).

7.3 Literature review

7.3.1 Social exchange theory

The roots of attraction are in SET, which is concerned with the study of social exchanges between actors (Blau, 1986; Thibaut & Kelly, 1959). Social exchanges are those that involve: (1) goals that can only be accomplished through interaction with another party; (2) adaptation to further the accomplishment of those goals; and (3) development of social bonds that reflect the intrinsic value of qualitative aspects of the exchange relationship (Blau, 1986). Attraction is one of SET's key constructs because early developers of SET have considered attraction to be a force that brings partners together and fosters voluntarism (Blau, 1986; Thibaut & Kelly, 1959). According to SET, attraction is a voluntary association in which actors seek to expand the breadth and depth of their interactions after becoming interdependent.

Two central propositions of SET emphasise the relevance of the attraction concept to the management of BSRs. Firstly, attraction is driven by self-interest: within a dyadic exchange, a party is attractive only to the extent that it provides rewards important to the other party (Blau, 1986). Thus, to gain access to benefits mediated by the other party, it is the duty of each exchanging party to be attractive to the other (Blau, 1986). Secondly, SET scholars have argued that attraction increases

reward power (Blau, 1986). Reward power relates to the possession of rewards that give one actor the capacity to influence otherwise unwilling compliance from the second actor (Samuel & Zelditch, 1989). Reward power is structurally induced (Samuel & Zelditch, 1989) and, unlike coercive power, needs not be used intentionally to be effective (Emerson, 1962; Molm et al., 2000). The level of reward power in a relationship defines the exchange frequency, which denotes the total benefits obtained by both actors in the relationship (Emerson, 1962; see also Study 1).

7.3.2 Attraction in BSR literature

Collaborative relationships with suppliers have been suggested to lead to many benefits and to be part of a competitive advantage (Singh & Power, 2009; Terpend et al., 2008). Supplier relationship management (SRM) has become a critical business process as a result of competitive pressures and the need to achieve cost reduction efficiency, consider risk and develop collaborative relationships with selected key suppliers that are capable of developing innovative new products (Lambert & Schwieterman, 2012). SRM relates to strategic planning for, and management of, all interactions with suppliers that supply goods and/or services to a company in order to maximise the value of those interactions. In practice, SRM focuses on creating more collaborative relationships with key suppliers in order to find and realise new value. Significant benefits are possible from better managing relationships with key suppliers (Theodorakioglou et al., 2006).

Customer attraction has been linked to several benefits. Hald et al. (2009) have described the role of attraction as a force that encourages buyer and supplier firms to mutually improve their relationship. Mortensen and Arlbjörn (2012) have linked customer attraction to suppliers' motivation to participate in supplier development programmes. Buyer-supplier attraction has also been used to explain the creation of trust, commitment and adaptation (Harris et al., 2003). Customer attraction has been proposed as an antecedent of preferred customers, allocation of resources (Hüttinger et al., 2012; Schiele & Krummaker, 2011) and supplier innovation (Schiele et al., 2011; Schiele, 2012).

The relationship between customer attraction, preferred customer status and supplier satisfaction is an interesting issue. Previous studies have demonstrated that supplier satisfaction results from retrospective performance evaluation of a customer, whereas customer attractiveness is anticipatory and value focused (La Rocca et al., 2012; Schiele et al., 2012). Hüttinger et al. (2012) have viewed customer attractiveness, supplier satisfaction and preferred customer status as cyclical processes and stages that are clearly sequentially linked. Those authors have viewed customer attraction as important in the early stages of a BSR because, to begin a relationship, a buyer must be sufficiently attractive to the supplier. Once the business relationship is active, the supplier will assess its satisfaction with the relationship. The supplier's assessment of the buyer can induce the former to either discontinue the relationship, continue with a regular degree of emphasis, or award preferred customer status. The intensification of the relationship that occurs

after granting preferred customer status generates additional expectations and may further increase the attractiveness of the customer, and the relationship cycle between the supplier and buyer thus begins anew (Hüttinger et al., 2012).

Although previous authors have proven both the importance and benefits of attraction, there has been a lack of empirical research on the subject (Hüttinger et al., 2012; Mortensen, 2012; Ellegaard, 2012) and, until recently, the authors of the buyer-supplier relationship and supplier management literature seemed to have overlooked the attraction construct. Although attraction has been mentioned occasionally in business literature since the 1980s, more in-depth analyses are relatively new (for example, Harris et al., 2003; Schiele et al., 2012; Mortensen, 2012; Hüttinger et al., 2012; Hald, 2012). In particular, there is growing interest in customer attraction and preferred customer studies (Schiele et al., 2012; Hüttinger et al., 2012; Nollet et al., 2012). Although attempts to define and conceptualise buyer-supplier attraction can be found, there is no generally accepted definition, and the concept has different interpretations. However, there is agreement that attraction is a matter of expected economic and social reward-cost outcomes from a relationship over time (Halinen, 1997; La Rocca et al., 2012).

Many previous studies have contributed by explaining the role of attraction in BSRs in different phases of those relationships, particularly the phases involving initiation and gaining preferred customer status (Schiele et al., 2012). Contributions related to how attraction should be managed or developed have remained scarce. Rocca et al. (2012) have developed a measurement instrument to assess the level of customer attraction. Nollet et al. (2012) have developed a four-step process for becoming a preferred customer. However, Nollet et al. have only provided a short discussion on how to identify the level of a customer's attraction and what characteristics make a customer attractive. They suggest that the status of preferred supplier is obtained by successive steps over time. They start from "initial attraction", meaning that the buyer should make an effort to attract the supplier even before the first exchange. We focus on strategic relationships however.

7.4 A framework for managing customer attraction

In this section we develop a framework that aims to assist business managers, as part of SRM, in managing and strategically using attraction to influence their suppliers. We developed the framework by coupling SET with the buyer-supplier relationship literature.

The framework builds on the proposal that attraction can be used by strategic actions or that attraction may have unintentional influence. We base this proposal on SET, which proposes that attraction and reward power are closely linked constructs. The rewards from a relationship form structural reward power. Attraction is defined as that relationship's expected rewards minus its costs (Thibaut & Kelley, 1959). Reward power may: (1) influence an outcome directly, regardless of interaction strategies (Cook & Emerson, 1978) or (2) affect exchange indirectly, through strategic action (Thibaut & Kelley, 1959). The strategic use of attraction in

this setting is related to customers' strategic development of attraction as a customer.

We advance a four-step process for the strategic use of attraction (Figure 12) and illustrate each step with the data from the case study. Step 2 includes a framework.

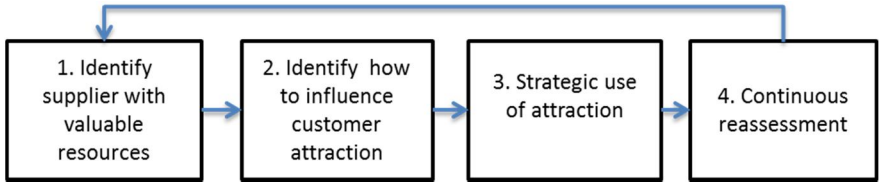

Figure 12. A process for the strategic use of attraction

Step 1: Identifying suppliers that have valuable resources

A customer firm should first identify suppliers for which it wants to develop its attraction as a customer. A firm should identify those suppliers that are most important for its future, i.e. suppliers that have valuable resources (Tanskanen et al., 2012; Westerlund & Svahn, 2008). SRM builds on the idea that suppliers vary in importance (Makkonen & Olkkonen, 2013), and in many relationships a buyer only makes an order at a given price and the supplier delivers a product. In these situations, it may be a 'waste of effort' to develop attraction, as developing customer attraction requires resources. However, in many business frameworks a customer needs to attract suppliers in order to be able to develop the relationship, and it "is very important for the buying firms and, potentially, essential for future success" (Schiele et al., 2010, p. 2).

Step 2: Identifying how to influence the selected suppliers' perceptions of attraction

A buyer company can influence its attraction as a customer by changing its actions and behaviour (Ellis et al., 2012) and by influencing suppliers' perceptions of different elements of attraction (Hald et al., 2009). The challenge of this, however, is that different suppliers value different elements of attraction and have different expectations of the relationship, as attraction is an attribute of a relationship, not of a company (Emerson, 1972a). Here, **we propose a framework** that helps to identify which elements of attraction a firm should develop.

First, we need to identify the elements of attraction. Previous studies have been dominated by research that has tried to isolate a long list of singular factors that have been suggested to lead to customer attractiveness (Fiocca, 1982; Ramsay & Wagner, 2009), but there are no agreed conceptualisations of attraction (Mortensen & Arlbjørn, 2012). The dimensions that have been suggested as influencing buyer-supplier attraction regularly overlap, and it is not explained how single di-

mensions of attractiveness relate to each other (La Rocca et al., 2012). Thus, the literature does not provide an appropriate framework for the purpose of this study.

We base our framework on SET and, particularly, on the conceptual model of buyer-supplier attraction that has been developed by Hald et al. (2009), which posits three mechanisms that affect attractiveness: expected value, trust and dependency. Expected value is a function of a partner's ability to enhance the rewards and reduce the costs associated with an exchange (Blau, 1986). SET proposes expected value to be a core element of attractiveness and have both intrinsic and extrinsic dimensions of rewards (Blau, 1986; Hald et al., 2009). The other dimension of expected value relates to expectations of the costs of involvement in the exchange with the relationship partner (Thibaut & Kelly, 1959; Hald et al., 2009). Rewards have been proposed to increase the probability of the reinforced behaviour, and the threat of a cost increases the probability of behaviour that shuns that cost (Homans, 1961). This means that a reduction in behaviour that decreases costs is vital to the development of attractiveness (Ellegaard, 2012). In their model of attraction, Hald et al. suggest trust as a mechanism that decreases risk and transaction costs between relationship partners (Morgan & Hunt, 1994; Delbufalo, 2012) because trust safeguards authenticity in interaction and enhances the assurance that anticipated rewards will be achieved from the relationship (Ellis et al., 2012; Cheng et al., 2008). Hald et al. (2009) have also included dependency in their framework, because it is viewed as a mechanism that operates on the cost side (Blau, 1986). When the rewards from a relationship increase, perceived dependency also increases (Hald et al., 2009; Blau, 1986). Thus, dependency has a moderating influence on expected value and may improve or decrease a business partner's perception of attractiveness (Hald et al., 2009).

In the proposed framework, expected value is the core driver of buyer-supplier attraction, and trust and dependency have a moderating influence (Hald et al., 2009). The challenges we faced here relate that to previous studies of value in business relationships that have focused on customer value. Supplier value, meaning value perceived by suppliers, has only received limited attention, and there are few studies on what value is, according to suppliers (Ramsay & Wagner, 2009).

We built our framework on the assumption that attraction can be evaluated by operationalising different elements of attraction in the model suggested by Hald. We developed measures for each element based on the literature (see Table 29; Walter et al., 2003; Hald et al., 2009; Walter et al., 2001; Ulaga, 2003). This instrument and its development are explained in Chapter 3. Each statement was measured using two scales: importance and level.

Table 29. Elements of attractiveness in the framework

Elements of customer attraction			Level and importance as perceived by supplier
Perceived expected value	Operative performance	Price Cost reduction Time compression Communication	
	Competency development and innovations	Learning and innovations Company development Buyer's R&D competence	
	Intermediation	Information intermediation Access to new partners	
	Growth		
Perceived trust	Benevolence	Loyalty Support	
	Integrity	Shared values Fairness Reliability	
Perceived dependency	Expected association value Associate alternatives Transaction-specific access		

Figure 13 and Table 30 demonstrate how the two dimensions of the elements of attraction, level and importance, may be integrated to yield four different typologies, as defined below:

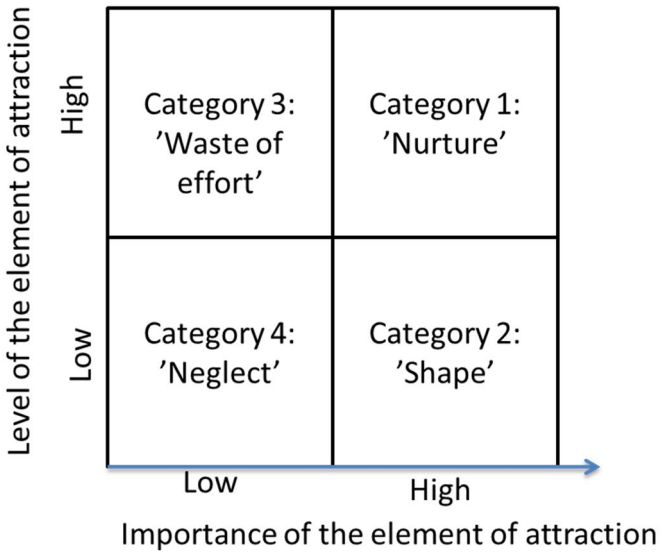

Figure 13. Combinations of level and importance of elements

Table 30. Categories of elements of attraction

Characterisation	Strategy	Description
Importance (of the element of attraction High Level (of the element: of the attraction) High	Nurture	These elements reinforce customer attraction in a relationship because they are important to the supplier and their level is perceived to be high. Companies should nurture and further develop these elements because they are part of a buyer's competitive advantage with respect to its supplier.
Importance: High Level: Low	Shape	Companies should focus on shaping these elements to develop attraction. This category may include elements that actually destroy a supplier's perceptions of attractiveness.
Importance: Low Level: High	Waste of effort	Developing these elements could be a waste of effort because they are not important to business partners.
Importance: Low Level: Low	Neglect	These low-level elements do not need to be developed because they are not considered important; thus, improving these elements will not raise the level of attraction in the eyes of a supplier.

The framework enables identification of the elements that need to be enhanced to improve perceived customer attraction. Thus, we suggest that a company should first identify its level in each element of attraction and how important the supplier perceives these elements to be. Then, the company should utilise the framework presented above and position each element in the framework.

Step 3: Strategic use of attraction

This step includes developing attraction via strategic actions. These actions – or adaptations – can relate to products, businesses or processes and are made to accommodate a partner's needs (Brennan & Turnbull, 1999). In recent years, issues of supplier adaptation have been studied, but there are only a limited number of studies concerning buyer adaptation (Mukherji & Francis, 2008). Adaptations encompass substantial investments in terms of time, money and process adjustments by one or both relationship partners (Nyaga et al., 2013). These adaptations deliver value to the extent that they increase turnover or profit, reduce costs or create dependency (Anderson & Weitz, 1992). When developing attraction, customer companies need to focus on the categories of 'nurture' and 'shape'. It is crucial to recognise that, as attraction is built as a combined and complex interaction between expected value, trust and dependency, there are risks of a one-dimensional strategy. Developing only one element of attraction in isolation may be inefficient or even harmful (Hald et al., 2009). By applying a framework that takes a comprehensive view of attraction, this risk can be reduced.

Step 4: Meeting expectations by continuously reassessing the partner's perceptions

Customer companies compete against other customer companies for the same supplier resources, which may be scarce, and customers are constantly assessed by their suppliers (Nollet et al., 2012). Thus, customer companies continuously need to evaluate which elements need to be shaped or nurtured. It is essential for the management to recognise that attraction is dynamic in nature (Harris et al., 2003; Mortensen et al., 2008) and that as a relationship develops, elements that currently belong to the category 'neglect' may not be there in the future. In other words, a supplier business's strategic concerns may change (La Rocca et al., 2012). Changes can be rapid. Furthermore, the customer needs to evaluate whether the developments in the market still justify the efforts and investments in the relationship (Nollet et al., 2012). There are also suppliers that do not need or want to develop close relationships with some specific customers, regardless of the investments made by those customer companies (Cannon & Perreault, 1999). In this step, the customer usually has less demanding access to the supplier and knows more about the supplier and its values and processes. The customer may influence the supplier's decisions based on regular collaborative initiatives. This clearly creates an advantage (Nollet et al., 2012).

7.5 Illustrative case

Next, the proposed process and framework is illustrated with data from a multiple case study. The buyer company, OEM, has recognised that attraction is an important construct in developing relationships with its suppliers. Until recently,

OEM's business has grown steadily, but because the industry in which OEM operates is not growing anymore, the situation has changed, and OEM worries that this could affect its attractiveness as a customer and its ability to influence its suppliers. "*Developing attraction is very important. It is not so important with tactical suppliers, but in a strategic relationship it's very important. There must be trust, and it is only created if the supplier perceives the customer as worth investing in. The best customer gets the best service, not just the best price. Money won't guarantee the best service."* (Category Manager, OEM).

OEM has advanced supplier-management processes, including a process for identifying key suppliers as part of a category management process. In category strategy work, employees representing different company functions, led by category managers, identified which suppliers would be important for OEM's future success. For this study, we selected three case suppliers together with OEM's main contact person, as discussed in Chapter 3. For my thesis to meet its goals, we established criteria for supplier selection, as described in Chapter 3. The three selected suppliers were those that OEM believed would be valuable in the future. OEM's need to influence and develop attraction was different with respect to each of the three selected relationships.

ContrMan is one of OEM's biggest suppliers, and ContrMan's flexibility is of special interest to OEM. A representative of OEM described the relationship as follows: "*The relationship was created when OEM sold its factory to ContrMan. People know each other well and have built a good way of collaborating, which has created a reliable relationship. The supplier does its best to fulfil customer demands."* (Manufacturing Solutions Manager, OEM). As a supplier, CoCom is of special importance, in the sense that – in addition to the quality of its products – end customers demand that OEM use CoCom as a supplier. To CoCom, OEM is a relatively small customer. *"Attractiveness is very important [in developing the relationship]. The relationship must be win-win. CoCom is one of the leaders in its category and has solutions to offer both now and in the future both for our customers' needs and our end-product roadmaps."* (Director R&D, OEM). In turn, HiTecCo, a company with which OEM develops new products, is a technology leader in its industry and has unique technological capabilities that OEM needs. *"Developing attraction with HiTecCo is very important because business is obtained based solely on both parties' continuous efforts. It is important to be able to adapt to market changes, which requires flexibility from the supplier. The relationship must benefit both companies."* (Category Manager, OEM).

We asked each supplier how attractive OEM was in terms of all of the elements of attraction and how important each element was in enhancing customer attraction in that specific relationship. Table 31 presents the scores for the level and importance of each element. Table 32 applies the categorisations of the different elements of expected value and trust to the framework, as based on the importance and level scores. We did not categorise the elements of dependency in the framework, as was proposed by Hald et al. (2009) – the aim is not to have too high or too low a level of dependency.

Table 31. Perceived level and importance of literature-based elements of buyer attractiveness

Buyer company	**OEM**					
Supplier	HiTecCo		CoCom		ContrMan	
No. of interviewees	3		3		2	
Averages of all answers [1)2)]	Grade	Impor-tance	Grade	Importance	Grade	Impor-tance
Perceived expected value	3.8	4.0	2.9	3.4	2.6	4.2
Operative performance						
Price	3.5	3.5	4.0	5.0	2.0	4.3
Cost-effectiveness	3.5	4.0	2.0	4.0	1.3	5.0
Time compression	2.6	3.8	2.3	3.3	2.5	4.7
Communication	4.0	5.0	3.7	4.7	3.7	4.3
Competency development						
Innovations	4.3	4.5	1.7	2.0	2.9	3.2
Company development	4.5	4.5	4.0	4.0	3.2	3.0
R&D	5.0	5.0	4.0	3.0	3.7	4.3
Intermediation						
Information intermediation	3.5	4.2	2.5	3.3	2.2	3.8
Access to new partners	2.5	3.0		1.0	2.0	3.7
Growth	4.0	4.0	5.0	5.0	4.7	5.0
Perceived trust	4.3	4.1	3.6	4.3	3.6	4.3
Benevolence						
Loyalty	4.3	4.3	3.0	4.3	3.8	4.7
Support	4.3	4.2	3.1	4.3	3.9	4.6
Integrity						
Shared values	4.8	3.8	3.5	4.5	3.7	4.0
Fairness	3.8	4.3	4.0	4.0	3.7	4.0
Reliability	4.7	4.0	3.8	4.4	3.6	4.5

1) Scale grade: 1 (poor)-5 (very good)

Scale importance: 1 (not important)-5 (very important)

2)Average grade calculated as weighted average

Table 32. Categorisation of elements of customer attractiveness as applied to the framework

	OEM- HiTecCo	OEM-CoCom	OEM-ContrMan
1. Nuture: high importance and high grade	Price	Price	Communication
	Cost-effectiveness	Cost-effectiveness	R&D
	Communication	Communication	Growth
	Innovations	Competency development	Loyalty
	Competency development	Growth	Support
	R&D	Support	Shared values
	Information intermediation	Shared values	Fairness
	Growth	Fairness	Reliability
	Loyalty	Reliability	
	Support		
	Shared values		
	Fairness		
	Reliability		
2. Shape: high importance, low grade	Time compression	Cost-effectiveness	Price
		Time compression	Cost-effectiveness
		Information intermediation	Time compression
		Loyalty	Innovations
			Information intermediation
			Access to new partners
3. Waste of effort: low importance, high grade		R&D	Competency development
4. Neglect: low importance, low grade	Access to new partners	Innovations	
		Access to new partners	

Each of the suppliers had unique perceptions of both the level and importance of the elements, and the application of the categorisation to the framework is relationship specific. The importance of the different elements seems to derive from each supplier's strategic intent (see Chapter 3).

We also inquired about each customer's opinion of its own attractiveness in the eyes of its supplier (see also Study 3). OEM seemed to have a relatively poor understanding related to which elements of attraction were perceived to be important and the level of those elements. This result was a bit surprising as OEM's relationships with these selected suppliers have existed for a long time, and it has been proposed that in long-term relationships, companies come to know their counterparts. However, this finding has significant implications because it indicates that it is important for a company to consult its supplier and understand what the supplier really perceives.

Next, we introduce some interesting examples from the cases. In general, most of the elements of customer attraction were categorised as 'nurture'. In particular,

elements of trust were perceived as having both high importance and a high level. One explanation for this is that all of the studied relationships have existed for many years and that the studied individuals have worked together for several years. For instance, the General Manager of HiTecCo stated: *"If we have difficulties on some big issue, OEM prioritises us and gives us help."*

Communication and growth as elements of expected value were also categorised as 'nurture' in all of the relationships. Future growth and its impact on customer attractiveness was a cause of concern to OEM, but it did not seem to have an impact during the time that the data were gathered. Open and frequent communication on all levels, along with accurate information, seemed to enhance customer attraction in all of the studied relationships. Time compression, i.e. lead times and time to market, were categorised as 'shape' in all relationships. Interestingly, time to market needed to suit the supplier's strategy and could not be too short or too long. For instance, in the OEM-CoCom relationship, CoCom's representatives felt that the time to market was too long for their purposes because *"OEM has time consuming R&D processes that don't fit in the current environment. For CoCom the time-to-market is too long. The product might already be obsolete by the time the tests are completed."* (Executive Vice President, Communications, CoCom). On the other hand, for HiTecCo, *"Pressure to make new devices is quicker than we would like."* (World Wide Account Manager, HiTecCo). Another example related to CoCom and ContrMan, from the category 'shape', is information intermediation, i.e. information about end markets or third parties. The managers of OEM did not think that information intermediation was important to its suppliers, and they were surprised that this element would actually shape attraction.

An example of an element in the category 'waste of effort' is R&D. This element was perceived by CoCom as follows: "*We have had some small exercises together. OEM has the ability, but the need is newly emerging."* (Executive Vice President, Communications, CoCom). On the other hand, R&D collaboration is a core element that nurtures the OEM-HiTecCo relationship. An example of 'neglect', as perceived by HiTecCo and CoCom, relates to access to new partners: *"This is irrelevant, because CoCom is really big itself."* (Account manager, CoCom).

According to HiTecCo, the perceived dependency was relatively high because HiTecCo has dedicated capacity and resources to OEM and actively takes part in several of OEM's performance improvement activities. As perceived by ContrMan and CoCom, dependency was low. OEM's respondents realised that some level of dependency is necessary for a relationship to work. When the results of this study were discussed in a workshop, OEM's managers paid attention to the low level of dependency in its relationship with ContrMan. They were concerned that if the level of dependency was actually very low, the future of that important relationship could be at risk. They wished for a higher level of dependency. This result supports the proposition that levels of dependency that are either too high or too low are a cause for concern.

As presented in Table 31, OEM was perceived as an attractive partner, especially by HiTecCo, and by CoCom, and most of the elements relevant to those

relationships were categorised as 'nurture'. However, the situation with ContrMan was worse, and OEM's managers were concerned that the future of this important relationship could be at risk. Based on these results, OEM made an action plan to improve attraction in its relationship with ContrMan. For instance, OEM and ContrMan's main contacts met to discuss the companies' relationship and formulate ideas to develop it. This seemed a good way to learn how to improve the situation. Moreover, communication, which was frequent, was thought to continuously improve the relationship. The challenge to the relationship between OEM and ContrMan was that in contract manufacturing, every cent counts for both the buyer and the supplier.

OEM applied some processes to continuous reassessment of suppliers' perceptions. First, with respect to category strategies, OEM continuously reassessed which partners it believed would be important in the future. Second, OEM conducted supplier satisfaction surveys to measure its supplier's perceptions of their relationship. Based on the results of that study, OEM intended to add "attraction questions" to the survey, i.e. the framework we present in this study. OEM and the suppliers met at different organisational levels to discuss their relationships and the development of those relationships on a continual basis. This study helped OEM to achieve a broader understanding of the role of attraction in relationship development and how to use attraction as part of SRM. Attraction involved a broader range of attributes than OEM had previously considered.

7.6 Discussion and conclusions

This study continues the work of recent customer attractiveness scholars, who see an especially high potential in building key suppliers' positive perceptions towards customers (Hald et al., 2009; Schiele, 2012; Mortensen & Arlbjørn, 2012; Ellegaard & Ritter, 2007). Such strategies have been linked to multiple benefits, such as customers' increased access to important supplier resources (Christiansen & Maltz, 2002; Hald, 2012; Schiele & Krummaker, 2011).

This study contributes by developing a framework to manage and strategically use customer attraction as part of SRM, SRM being the business process that provides the structure for the way relationships with suppliers are developed and maintained (Lambert & Schwieterman, 2012). The discussion of customer attraction has been largely limited to empirically validating consequences (Schiele et al., 2011) and discussing the role of attraction in developing relationships (Harris et al., 2003; Mortensen et al., 2008). However, there is only a limited understanding of how to manage and develop customer attraction. Management has the well-established idea that a construct does not have intrinsic value; rather, its worth depends on the use that a user makes of it (La Rocca et al., 2012). The importance of buyers' social competence – i.e. the ability to influence the social processes inherent in supply management practices in order to adjust supplier' perceptions – is significant (Ellis et al., 2012).

The value of this study arises out of SET's fundamental argument: attraction can be used by strategic actions to influence business partners (Blau, 1986). Thus, a buyer's behaviour influences its attraction in the eyes of its supplier (Ellis et al., 2012; Blau, 1986). To be precise, we suggest that a buyer can influence perceptions of attraction by adapting supply management practices that influence its supplier's perceptions of different elements of expected value, trust and dependency. Our findings emphasise SET's relational approach: attraction is an attribute of a relationship, not of a company (Blau, 1986). Thus, managing customer attractiveness is complex: in addition to a large number of elements that contribute to attraction, every supplier finds that important elements and factors that enhance attraction are relationship specific, not company specific. Our proposed framework helps to address this problem, and its merit lies in its ability to identify both the importance and the level of different elements. Importantly, the elements of attraction in the framework are solidly based on theory.

More broadly, our results give new insights into attraction as an element of SRM. The literature on SRM seems to miss aspects of social exchanges; organisational behaviour and joint value creation, which all significantly influence relationship performance (Pardo et al., 2011; Makkonen & Olkkonen, 2013). We contribute to that discussion by proposing that by exploring the business relationships from the perspective of attraction, we can better understand the development of these relationships and, importantly, identify how to develop them.

Our results indicate that buyer companies do not always understand how their suppliers perceive attraction in their relationship or what elements of attraction their suppliers perceive as important. These findings have important implications. Customers should focus on what suppliers actually perceive to be important, not what the customers themselves perceive – or guess – that the suppliers see as important. In addition, Giannakis (2007) has emphasised the role of understanding and measuring the gaps between the perceptions of buyers and suppliers in SRM. In addition, it is important for suppliers to communicate their strategic intents to their customers and for customer companies to understand the other supplier's strategic intents, as that helps in developing attraction and determining whether the customer is attractive.

For managers, this study holds important implications. Managers have begun to understand the importance of being attractive to their suppliers. In the field of purchasing, this thinking is new (Mortensen, 2012). An important aspect of management is the reason suppliers put their best efforts into things that create value for their organisation. The important difference between internal and external resources is that external resources are not under the management's direct control. Contracts are a traditional means for controlling supplier and other external resources, but their power is very limited. The best outcome can be achieved when the relationship partner voluntarily invests in the relationship to create value for the company. The challenge for purchasing managers is to create and improve suppliers' perceptions of their companies as a valuable and trustworthy business partner (Hald et al., 2009). Customer attractiveness cannot be "defined in an absolute sense, but a customer must always be defined as attractive to someone" (La

Rocca et al., 2012, p. 1246). Our framework assists managers in defining strategies to enhance attraction and to manage relationships more effectively. Our results emphasise that firms must know their business partners to understand what those partners actually value in a relationship. Our analysis indicates that the importance of different elements of attraction is derived from the strategic intent of a relationship. We suggest that managers should put special focus on enhancing elements that are perceived as low level but valued by the dyad associate.

Although this study has some salient theoretical and managerial implications, a few potential limitations and future research needs should be noted, not least those related to the empirical testing of our findings. Our analysis is based on previous conceptual and empirical studies that have addressed attraction constructs, most significantly SET, which consists of well-proven constructs. More in-depth exploration of the framework is needed. Regarding future research, there are many interesting possible extensions. We focused on using the attraction construct as part of SRM and achieving a general understanding of the social implications of supply management practices. The current SRM literature focuses on developing relationships with existing suppliers, together with monitoring potential suppliers (Moeller et al., 2006). Although we have focused on existing suppliers, future research could explore new suppliers with which a customer firm does not yet have a relationship. Another interesting avenue of research could be a longitudinal study, which would give consideration to how actions that different customers take to develop attraction actually influence suppliers' perceptions.

8. Study 5: A dyadic study of control boundaries in strategic buyer-supplier relationships

Abstract

In strategic BSRs, the ability to affect critical resources that are located in other companies is critical for success, and the success of collaboration depends partly on effective control. Control mechanisms in cooperation have been suggested to greatly influence the success of supply chain relationships. The previous studies of control in supply chains have mainly concentrated on antecedents that lead to the adoption of formal control, social control, or both, and to the relationship between formal control and social control. This study empirically explores what explains the control boundaries in a complex BSR, because different, and partly competing, views of the antecedents of control boundaries have been suggested. For instance, scholars who base their arguments on transaction cost economics see control as a safeguard against opportunism in the case of relation-specific assets, and emphasise buyer control. Supply chain management scholars, on the other hand, emphasise total optimisation of the supply chain as an antecedent to control boundaries. While previous studies have generally examined only focal company's perspectives of control in a BSR, this study take a dyadic perspective by a case study of six buyer-supplier relationships.

Research question the study addresses: What explains the control boundaries of a firm in strategic BSRs?

Table presents the aim and research questions of the thesis.

Objective of the thesis	**To increase understanding about the role of attraction and control boundaries in value creation in strategic BSRs**		
Research questions	How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	How does attraction affect value creation in strategic BSRs?	What explains the control boundaries of a firm in strategic BSRs?
Research questions of the studies			
Study 1:	(x) How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?	*	*
Study 2		(X) What are the drivers of buyer-supplier attractiveness in a strategic BSR?	
Study 3		(X) How does mutual attraction affect the success of a strategic BSR?	
Study 4		(X) How can attraction be used strategically?	
Study 5		*	(X) What explains the control boundaries of a firm in strategic BSRs?

(X) The study makes a major contribution to the research question and the specific research question of the study

* The study makes a minor contribution to the research question

8.1 Purpose

This study takes a different approach to value creation and influence in strategic BSRs to the other empirical studies of this dissertation. As Studies 2-4 explored attraction in BSRs, this study explores control boundaries in BSRs. This study uses the same empirical cases as the previously presented studies.

Control has commonly been considered the main governance mechanism in BSRs. In strategic BSRs, the ability to affect critical resources located in other companies is crucial to success, and the success of collaboration depends partly on effective control (Fryxell et al., 2002). Control is defined as attempts “to motivate exchange partners to work to achieve designated objectives” (Kirsch et al., 2002; Stouthuysen et al., 2012, p. 423). In this study, the strategic relationship is defined as “A relationship with a company that possesses resources that are vital for future success. A relationship is based upon joint opportunities and includes a large amount of cooperation in different levels, such as in product, operations, and

business development." This definition highlights the future orientation of strategic relationships and collaboration at multiple levels. In strategic BSRs, understanding control boundaries is critical, as companies urgently need to influence the important resources that are located in other companies. However, we do not yet know much about what determines the control boundaries.

The current increasing trend towards outsourcing and collaborative relationships has highlighted the importance of control boundaries (Gadde, 2013), as companies maintain interdependencies with relationship partners and thus can no longer control their own operations and resources. In strategic BSRs, both companies are interdependent on the other's resources. However, a company may be able to influence activities and resources essential to collaboration, even when they are located in partner companies, as long as its control boundaries reach outside its ownership domain (Gadde, 2013). For instance, manufacturers have drastically reduced the number of suppliers that they manage directly and have outsourced control of the rest of the suppliers to some of the first-tier suppliers (Choi & Linton, 2011). The benefits for the OEM include reduction in capital, volume discounts, faster new product development and the possibility to spend less time on supervision of lower-tier suppliers and to focus on building core competencies. However, recently, discussion has arisen about the dark side of this change in boundaries. Choi and Linton (2011) raised the following dangers in over-extensive delegation to suppliers: less visibility of technology development, less control over cost and less access to market information. Rossetti and Choi (2005) report the dark sides of too much delegation of control in the aerospace industry, which has led to suppliers becoming competitors to OEMs.

Several partly competing views of the antecedents of control boundaries have been suggested, for instance scholars who base their arguments on transaction-cost economics see control as a safeguard against opportunism in the case of relation-specific assets and emphasise buyer control. Supply chain management scholars, on the other hand, emphasise total optimisation of the supply chain as an antecedent to control boundaries. In addition, in complex BSRs, the control boundaries are unambiguous because of the common use of diverse formal and social control mechanisms (Gadde, 2013; Li et al., 2010).

This study aims to explore control boundaries in strategic BSRs from both the buyer's and the supplier's perspectives by answering the following research question: **What explains the control boundaries of a firm in strategic BSRs?** Understanding the control boundaries is critical, as companies urgently need to influence the important resources that are located in other companies in the supply chain. This is critical in specific strategic relationships in which there is collaboration at many levels of organisations and it is crucial to influence outside ownership boundaries. Control in BSRs involves "dyadic interactions, with a controller (i.e., the company exercising control, often the buyer) and a controllee (i.e., the target of control, usually a supplier)" (Stouthuysen et al., 2012). However, previous studies (for example, Jap & Ganesan, 2000; Mol, 2007; Petersen et al., 2008; Stouthuysen et al., 2012; Zhao et al., 2008) have usually only examined the focal company's perspectives of control, meaning the way the focal company manages

control as a method of organising and steering supply chains. Several previous studies suggest that partners have differences in their perceptions and expectations of supply chain relationships (Ambrose et al., 2010; Nyaga et al., 2010), and these differences may have significant negative effects on performance. In effect, Nyaga (2013) argues that perceptions of power and how it is used may not be shared between the dyadic relationship partners, and this may considerably impact the buyers' and suppliers' collaboration and operational performance.

The study is structured as follows. The study begins by briefly discussing previous studies of control in supply chains and BSRs, as the literature is also covered in Chapter 2. The research methodology section discusses how the analyses was performed, as the data collection is presented in Chapter 3. Then the findings are presented, and finally the results are concluded.

8.2 Literature review of supply chain control

8.2.1 Theoretical basis

As, this study examines both relational factors and transactional factors, it refers to both social exchange theory (SET) and transaction cost economics (TCE), with SET being a dominant theoretical basis. Table 33 summarises and compares some of the key elements of SET and TCE (Kingshott, 2006). Both theoretical approaches aim to explain how managers can deal with building and nurturing long-term business relationships but vary essentially in relation to the mechanisms used to bring the stability that is needed to maintain commitment in the relationships.

TCE is the most widely used theory in the study of control in supply chain relationships. TCE sees vertical control as a means to reduce opportunistic behaviour in the case of specific assets (Anderson & Weitz, 1986). Williamson (1985) defines opportunism as self-interest, seeking a strategic nature undertaken to redirect profits from vulnerable partners. The main exchange characteristics that facilitate opportunism are uncertainty and transaction-specific assets. Assets are transaction-specific to the level that they produce more value in a given relationship than in their next-best "reservation" use (Carson et al., 2006). If there is an absence of vertical integration, mutual commitment is identified as one means by which a company can safeguard specific assets by acquiring vertical control over the relationship partner (de Man & Roijakkers, 2009; Powell, 1987). This combines the control benefits of vertical integration without the inflexibility of an administrative structure (Jap & Ganesan, 2000). Despite the significant understanding created by TCE-based research, the findings have, to some extent, been inconsistent (Poppo & Zenger, 2002), and these inconsistent findings propose that TCE may be too narrow to sufficiently explain how companies choose and adapt control in supply chain relationships.

Table 33. A comparison between SET and TCE (modified from Kingshott, 2006, and Nieminen, 2011)

Relational dimensions	**Social exchange theory**	**Transactional cost analysis**
Managerial philosophy	Build relationship Focus on inputs	Minimise transaction costs Safeguard assets
Main conceptual origins	Sociology	Economics
Underlying assumptions	Moral obligations between actors Inherent reciprocity Interdependence through socialisation	Bounded rationality Individuals act opportunistically Need for uncertainty reduction Risk neutrality
Governance	Trust	Contractual and legal
Mechanisms	Relational norms Bilateral inputs required	Hierarchical
Managerial benefits	Flexible Interactive Adaptive Highly efficient	More relationship partner cotrol Relational specifications determined in advance Internalised certainty

8.2.2 Literature of supply chain control

Much of the recent research on business-to-business relationships has relied on the theoretical notion of governance (Heide, 2003). Control is defined to exist whenever one company has influence over the decisions made by another firm (Heide & John, 1990), or as efforts to motivate relationship partners to work to achieve designated objectives (Stouthuysen et al., 2012). Control helps to establish collaboration activities in accordance with targets to manage interdependencies and prevent opportunism (Schmoltzi & Wallenburg, 2012). In SCM literature, control, influence and power seem to be interlinked constructs. For the purposes of this study, we suggest control to be a means of influence, and control occurs through interactions as well as the exercise of power.

The importance of understanding and identifying control boundaries has increased in recent years. The traditional suggestion is that ownership of resources offers full control, while there is supposed to be no control over resources owned by other companies. However, in strategic relationships, a buying firm exercises indirect control over the resources of the supplier – the same goes for the supplier in terms of the resources of the customer. When the ownership boundary is emphasised, companies are supposed to have total control over in-house resources but limited opportunities to control what is outside the company border (Gadde,

2013). Now that ownership boundaries have become increasingly blurred, the perceptions of control need to be changed (Gadde, 2013). When maintaining interdependencies with business partners, a company can no longer fully control its own resources and operations. As decision control is a zero-sum phenomenon (Grossman & Hart, 1986; Jap & Ganesan, 2000), an increase in control by one party unavoidably comes at the other party's expense, meaning that one party's ability to conduct control originates from the other party's decision to relinquish it. The control relinquishment can either be a voluntary strategic choice based on efficiency considerations (de Man & Roijakkers, 2009; Jap & Ganesan, 2000) or based on coercive power. Heide and John (1992) argue that suppliers will not relinquish decision control to a buyer company without some insurance that the accomplished control will not be abused.

The majority of the previous studies of control in supply chains that discuss the different control mechanisms, with control mechanisms being structural arrangements deployed to regulate partners' behaviour (Jap & Ganesan, 2000). Jap and Gansean (2000), consider control mechanisms to be safeguards that companies introduce to govern inter-company exchanges, reduce exposure to opportunism and protect specific investments. Two separate categories of control mechanisms have been distinguished: (1) formal control, which relies primarily (but not completely) on explicit contracts; and (2) social control, which mainly relies on informal means (Dyer & Singh, 1998; Dyer & Chu, 2003; Lumineau & Henderson, 2012). Formal controls rely on written contracts that influence actions through performance evaluation and rewards, and formal control includes output and behaviour controls (Stouthuysen et al., 2012). A buyer company that uses output control determines appropriate objectives but lets the suppliers decide how to achieve these targets (Kirsch et al., 2002). In comparison, a buyer company that applies behaviour control aims to influence the means and processes used to achieve a goal, for instance by defining specific rules and procedures, monitoring the supplier's behaviour or giving rewards based on the supplier's adoption of the prescribed procedures (Kirsch et al., 2002).

In the case of informal control, relationship partners do not specify task-related outputs or actions (Das & Teng, 2002) but instead focus on developing shared values and goals with their relationship partners (Kirsch et al., 2002). Inter-organisational trust has been suggested to be a main foundation for the use of social control (Carson et al., 2006; Jap & Ganesan, 2000). Previous studies discussing social control have used multiple terms, such as "self-enforcing agreements" (Dyer & Singh, 1998), "social control" (Li et al., 2010), "psychological contracts" (Kingshott, 2006) or "informal governance" (Mesquita & Brush, 2008) and relational norms. Social control mechanisms include forms such as participatory decision-making, joint problem-solving and fulfilment of promises (Li et al., 2010; Stouthuysen et al., 2012). It has been proposed that inter-organisational trust acts as a self-enforcing safeguard that is a more effective and less costly alternative to both vertical integration and contracting (Uzzi, 1997). Some previous authors suggest that formal control and social control mechanisms are substitutes (Uzzi, 1997), while others argue that formal and social control mechanisms are comple-

mentary (Luo, 2002; Mesquita & Brush, 2008; Poppo & Zenger, 2002). Many of the previous studies have mostly investigated the role of individual control mechanisms (Jap & Ganesan, 2000; Lal, 1990), and attention has been on the antecedents of control mechanisms (Jap & Ganesan, 2000; Stump & Heide, 1996). However, previous findings conflict in the link between formal control and supplier performance, proposing examples of both positive effects (Liu, Li & Zhang, 2010) and opposite scenarios in which formal control decreases supplier performance (Jap & Ganesan, 2000). Thus, more research is needed into how different combinations of mechanisms achieve influence (Pilbeam et al., 2012).

Previous authors have identified and studied several control mechanisms, including pledges in the form of bilateral transaction-specific investments, standards, qualification procedures, explicit contracts, monitoring and shared values (Jap & Ganesan, 2000; Pilbeam et al., 2012; Stouthuysen et al., 2012). Control mechanisms have been linked to performance improvements, resulting from the application of both formal and informal governance instruments to the supplier relationship (Pilbeam et al., 2012).

8.2.3 The role of relational constructs in control

As proposed by previous authors, relational constructs seem critical to understanding control and its outcomes in BSRs. Thus, a richer understanding of both trust and power would add depth and precision to explanations of control and its ability to achieve outcomes (Pilbeam et al., 2012). Power is a relational construct that gives one relationship partner the ability to influence, and control, the activities of another in buyer-supplier relations (Hardy & Clegg, 1996). Power has been an area of interest to many SCM and BSR researchers (Cox, 2001; Nyaga et al., 2013; Zhao et al., 2008), and in this research, the prevailing focus has been on the more powerful buying company, which controls the contract in a BSR (Benton & Maloni, 2005; Ireland & Webb, 2007). Power has been classified in multiple ways; for instance, French and Raven (1959), in their seminal work, classified power into five sources: expert, referent, coercive, legal legitimate and reward power.

This study adopts its approach to power from SET. Emerson (1972a; 1972b) proposed that the mutual dependency of actors provides the structural basis for their power over each other. Dependency is determined by two factors: the need for a resource that the other party possesses and the availability of alternative sources (for instance, alternative suppliers). Emerson distinguishes between structural power and power use. Structural power is the potential power created by the relations of dependency between actors in an exchange network (Molm, 1990). Structural power has two dimensions: average power and power imbalance. Power imbalance is the difference between a supplier's and a buyer's powers/dependencies. If a buyer is more dependent on a supplier than the supplier is on the buyer, then the less dependent and more powerful supplier has a power advantage: the greater the asymmetry in power, the greater the imbalance (Molm, 1997). Power is an attribute of a relationship, not of an actor, which means that the buying organisation is not 'powerful' in general, only with respect to a particular

supplier. Power asymmetry in supply chain control is an important issue, as power imbalance between partners is usually inevitable. As Belaya et al. (2009) point out, the nature of power in supply chain relationships assumes an imbalanced distribution of power between partners because of differences in, among other things, size, expertise, switching costs, dependency and contract structure. Importantly, perceptions of power, and how it is applied, are not often shared between the relationship partners, and this could notably influence buyers' and suppliers' willingness to collaborate (Nyaga, 2013).

Trust in inter-organisational relationships has been much researched (for review, see: Delbufalo, 2012; Seppanen, et al., 2007), and the role of trust in control has been massively studied. Business environments are risky, complex and not predictable. These characteristics ensure that trust is an integral part of all supply chain relationships (Bachmann & Zaheer, 2008). The previous authors have made significant contributions to our understanding of trust in BSRs. Previous studies have suggested various definitions, and they all mirror an actor's willingness to be vulnerable based on the positive expectations of another's intentions. For instance, trust has been defined as "a willingness to rely on an exchange partner in whom one has confidence" (Huang & Wilkinson, 2013, p. 455). Trust relates to a relationship partner's willingness to perform according to agreements.

Various typologies of trust have been proposed. For instance, Sako's typology of three types of trust that develop over time are contractual, competence and goodwill (Sako, 1992). In contractual trust, each adheres to specific written or oral agreements (Sako 1992). Usually business transactions rely at least to some degree on contractual trust. Promises maybe kept also respect to more generally applicable rules, and contractual trust rests on the moral norm of honesty and keeping promises.. Reliance of oral agreements rather than written ones is supposed to mirror more contractual trust. Competence trust refers, according to Sako (1992), to the expectations of a trading partner performing its role competently. Competence trust is a pre-requisite for the viability of any repeated transaction (Sako, 1992). Goodwill trust in its turn refers to mutual expectations of open commitment to each other (Sako, 1992). Commitment means willingness to do more than is formally expected. There are no explicit promises to be fulfilled, as in case of contractual trust. In goodwill trust, partners are committed to take initiatives to exploit new opportunities above what is written in contracts (Sako, 1992). Shared normative values are necessary but not sufficient to develop goodwill trust. Actors entering goodwill trust need to present a particular kind of normative standard: open commitment and reciprocity in exchange. Beside this, there must be specific norms about power amd authority, autonomy and dependence and fairness for goodwill trust to develop (Sako, 1992). Mayer et al. (1995) suggested that perceived trust is associated with ability, benevolence and integrity (see also Section 3.3 of this thesis).

The antecedents of trust have been studied widely, for review, see, for example, Seppänen et al., 2007). The consequences of trust have been proposed and empirically tested (e.g. Ganesan, 1994; Morgan & Hunt, 1994). Previous research suggests that trust has a significant role in the development of effective collabora-

tive relationships, including increasing interdependence and commitment (Fawcett et al., 2012; Morgan & Hunt, 1994); encouraging a long-term orientation (Ganesan, 1994); stimulating honest and open communication; and reducing the costs of monitoring (Seppänen et al., 2007). Trust has been linked to the choice of different control mechanisms and, in particular, to the use of social control mechanisms. The literature of this stream suggests that inter-organisational trust acts as a self-enforcing safeguard that is a more effective and less costly alternative to both vertical integration and contracting (Uzzi, 1997). However, Delbufalo (2012) proposes that inter-organisational trust and vertical control conflict with each other.

However, relational constructs other than the most studied ones of power and trust may also help to understand control and its outcomes. These include attraction and justice. Buyer-supplier attraction has been suggested, as based on SET, to be a mechanism that creates a reciprocal process whereby each party to a relationship, if it perceives the other to be attractive, attempts to prove itself valuable to the other party by voluntarily investing effort in the relationship (Blau, 1986; Ellis et al., 2012; Mortensen & Arlbjørn, 2012), and thus, attraction enables influence over the other party (Mortensen, 2012, for a review, and Chapter 2 in this thesis). Thus, exploring the attraction construct may add to our understanding of control boundaries.

8.3 Method

This study adopts the multiple case study method, as described in Chapter 3. The data analysis of this study is presented here. The research instrument is presented in Appendices B and C. The data collection instrument included information about the interviewee, semi-structured questions about the objectives and the performance of the relationship, ongoing development projects, and structured questions about the interviewee's view on supply chain control. The instrument also included structured questions about perceived attraction and trust in a relationship. In relationship performance, we used the following measures for customers: 'technical innovation', 'cost efficiency', 'competitive price' and 'product quality', and the following measures for suppliers: 'increasing sales volume', 'improving efficiency', 'getting a better price' and 'fostering technical innovation'. In vertical control, the measures developed by Heide and John (1992) were used. These describe the buyer's actual control over the supplier's decisions, and the items describe decisions that would be part of the supplier's domain in basic market transactions. We used the following measures: the supplier's production processes and manufacturing technology, ongoing design and engineering changes, the supplier's level of inventory (raw material, semi-finished and finished components), the selection of the supplier's sub-suppliers, and the supplier's quality control procedures. The interviewees were allowed to ask clarifying questions to ensure that they understood the statement correctly, and we asked them to state the reasons for their answers. The purpose of this step was twofold: (1) to force the interviewees to think carefully about their answers and (2) to help us see beyond

their initial responses. The scale was 1-7, where 1 = decided solely by the supplier and 7 = decided solely by your company. The same measures were asked of the buyer and the supplier. We also asked both the buyer and the supplier to analyse the importance of vertical control.

On the basis of the advice provided by Miles and Huberman (1994), and Yin (2013), we conducted with-in case analyses, followed by cross-case analyses, which are presented in the following sections, and each case write-up was used for two analyses: with-in case and cross-case. Each case was first viewed as a 'stand-alone entity', aiding the understanding of the context of the relationship and identifying the antecedent of control. Second, we began the cross-case analysis. The goal was to identify and match patterns in order to develop a more robust theoretical picture (Eisenhardt, 1991). The analysis process of the interview data followed the analysis recommendations of Miles and Huberman (1994). Due to the varied and nuanced answers, as well as the diversity of language and terms used by the interviewees, we determined that a careful manual evaluation process would provide the best interpretation of the interviews.

To identify the antecedents of control boundaries, the interview data was analysed as follows. First, the interviews were read through to gain a preliminary understanding of the data collected. The analysis was conducted in two rounds. In the first round, we pursued an iterative, open-coding process, meaning that we moved back and forth between the case write-ups and the emerging constructs. In this we included all the data from the interviews, meetings and workshops. As we began to identify common statements, we formed provisional categories and first-order codes. We developed a spreadsheet to help us to track and compare results across the case studies. The two-person analysis team used a process of individual coding, collaborative discussion and concurring to derive theoretical meaning from the cases. The researchers systematically picked and grouped, using various kinds of visualisations (e.g. mind maps and matrixes), items that appeared to be linked. In the second round, we grouped and fine-tuned the codes into the categories presented later. This process also represented a method of data reduction and provided an initial level of analysis (see Miles & Huberman, 1994). We also analysed the numerical data on both the buyers' and the suppliers' perceptions. Finally, the data were compared with the theoretical insights, and interfaces were sought. Tables and summaries were used to compare the empirical data with the theoretical framework. The categories were divided into two groups: (1) drivers for control boundaries and (2) control relinquishment mechanisms.

8.4 Findings

According to the advice of Miles and Huberman (1994) and Yin (2009), with-in case analysis of control boundaries and, subsequently, cross-case analysis were conducted. The basic information and descriptions of the studied relationships are presented in Section 3.7. Tables 34 and 35 summarise the control boundaries in the studied relationships. The tables present a short summary of the control

boundaries in the relationships, descriptions of the control boundaries in each of the analysed processes (the supplier's production processes and manufacturing technology, ongoing design and engineering changes, the supplier's level of inventory, the selection of the supplier's sub-suppliers, and the supplier's quality control procedures [Heide & John, 1992]) and analysed drivers for the control boundaries for each process. Table 36 presents the cross-case analyses. The table includes the performance of the relationships, the results of analyses regarding relational constructs (trust, power balance, attraction, interdependence), the division of control between the buyer and the supplier as perceived by a buyer company and a supplier company, and the results of analyses of why the company relinquishes control to the other party.

Table 34. With-in case analyses of OEM cases

	OEM-HiTecCo	OEM-CoCom	OEM-ContrMan
Summary of control boundaries in the relationships	The buyer and supplier have found a balance in control boundaries based on strategic intent, supply chain and cost-efficiency. OEM has more control than other customers of HiTecCo. Antecedents of control seem to be high mutual attraction and high trust.	It is often unclear whose supply chain model is used and who controls the supply chain, and this had led to inefficiency. OEM would like to have more control over supply chain decisions, but the more powerful supplier does not relinquish control.	As is typical in contract manufacturing, the buyer has strong control over the supply chain. The main driver is efficiency from the buyer's perspective. As every cent counts and influences the price, OEM also considers total supply chain efficiency.
A. Supplier's production processes and manufacturing technology			
Description	The supplier is one of the technology leaders in its industry, and as the supplier has the best capabilities, it mainly decides. OEM tries to influence certain technology.	The supplier is one of the technology leaders in its industry, and as the supplier has the best capabilities; it mainly decides.	The buyer and the supplier have specific roles in decisions. The buyer approves the place and process of the production. The supplier chooses the equipment.

B. Ongoing design and engineering changes			
Description	The buyer and the supplier have specific roles in decisions. The buyer influences, especially, the new production phase.	Both the buyer and the supplier have specific roles in decisions.	Both the buyer and the supplier have specific roles. The business model (contract manufacturing) has strong influence on the roles. The supplier mainly influences issues related to how to manufacture.
Drivers for control boundaries	Capabilities of partners,	Capabilities of the partners	Supplier's business model; capabilities of the partners
C. Supplier's level of inventory			
Description	The buyer's control depends on the logistics model in use, and it varies between different products. In some product groups, the buyer wants to ensure availability, especially when there is a long lead time.	The buyer's control depends on the logistics model in use and varies between different products. In standard products, the supplier decides; in specialised products, the buyer decides.	The buyer's control depends on the logistics model in use. The control varies between different products. In some product groups, the buyer wants to ensure availability and, on the other hand, minimise effort (consignment stock).
Drivers for control boundaries	Supply chain efficiency; minimise the effort of the buyer	Supply chain efficiency; minimise the effort of the buyer	Supply chain efficiency; minimise the effort of the buyer
D. Selection of supplier's sub-suppliers			
Description	The buyer wants to influence ethical and environmental issues. The buyer states the requirements of the supplier's suppliers but does not decide the name of the supplier. Sometimes the buyer wants to have a certain type of solution that defines the choice of supplier.	The buyer has a stronger role in the selection of the supplier's suppliers in strategically important areas than in other areas.	The buyer's control varies between different products. The buyer decides when the buyer feels it is needed. The buyer always accepts the supplier's sub-suppliers.
Drivers for control boundaries	Buyer wants to influence certain needs	The buyer wants to influence certain needs	The supplier's business model; capabilities of the partners

E. Supplier's quality control procedures			
Description	The buyer has requirements for the supplier's quality procedures. The supplier must monitor the quality and use ISO standards.	The buyer has requirements for the supplier's quality procedures. The supplier must monitor the quality and use ISO standards.	The buyer has requirements for the supplier's quality procedures. The supplier must monitor the quality and use ISO standards. The buyer has invested in software tests because the supplier has not been able to do so.
Drivers for control boundaries	Capabilities of partners	Capabilities of partners	Capabilities of partners

Table 35. With-in case analyses of PharCo cases

	PharCo-PacCo	PharCo-MedDev	PharCo-BulkMf
Summary of control boundaries in the relationships	The buyer decides the control boundaries based on power, and thus makes the operations inefficient for the supplier on many points. There are many mismatches in perceptions of control boundaries, which complicate the collaboration.	This relationship has been important for only a short time, so the parties have not yet found suitable control boundaries. Both parties see that the situation today is not as efficient as it could be. MedDev would like to be more involved in PharCo's processes. As attraction and trust are high, the companies are working to establish control boundaries.	In this relationship, the control boundaries are unclear. As the supplier has a power advantage, the buyer cannot influence the control boundaries as it would like to. In effect, as the supplier does not have enough capabilities, the buyer has had to take some control over the supplier's processes.
A. Supplier's production processes and manufacturing technology			
Description	The buyer influences the process via audits and helps in developing the process.	The buyer owns some machines that are located at MedDev's premises. The supplier decides the processes, but the buyer accepts changes. The supplier has the best knowledge of the process.	The supplier mainly decides. The customer helps to solve some problems.
Drivers for control boundaries	Capabilities of partners	Capabilities of partners	Capabilities of partners

B. Ongoing design and engineering changes			
Description	Both the buyer and the supplier have specific roles in decisions. The buyer mostly influences manufacturing issues and appearance.	The buyer mainly decides on the design.	The customer's influence depends on the products; both the buyer and the supplier have specific roles in decisions.
Drivers for control boundaries	Capabilities of partners	Supplier's business model; capabilities of partners	Capabilities of partners; supplier's business model
C. Supplier's level of inventory			
Description	The supplier decides based on the forecasts; some aspects are decided in the contracts.	The supplier decides the level; the buyer would like to have more influence.	The contract defines some aspects, like safety stock. The customer wants to have some influence to ensure availability.
Drivers for control boundaries	Supply chain efficiency	Supply chain efficiency	Supply chain efficiency
D. Selection of supplier's sub-suppliers			
Description	The buyer states the requirements for the supplier's suppliers but does not decide the name.	Depends on the products; some suppliers are decided by the customer.	The buyer states the requirements for the supplier's suppliers but does not decide the name. The buyer has the right to audit strategic suppliers.
Drivers for control boundaries	Capabilities of partners; buyer wants to influence certain needs	Buyer wants to influence certain needs	Capabilities of partners; buyer wants to influence certain needs
E. Supplier's quality control procedures			
Description	The buyer controls, as required by the authorities.	The buyer controls, as required by the authorities. The supplier has both standard and buyer-specific procedures.	The buyer controls, as required by the authorities.
Drivers for control boundaries	The buyer wants to influence certain needs	The buyer wants to influence certain needs	The buyer wants to influence certain needs

Table 36. Cross-case analyses

Relationship	OEM-HiTecCo		OEM-CoCom		OEM-ContrMar		PharCo-PacCo		PharCo-MedDe		PharCo-BulkM	
The company the answer concerns	Buyer	Supplier	Buyer	Supplier	Buyer	Supplier	Buyer	Supplier	Buyer	Supplier	Buyer	Supplier
Type of supplier	High technology components provider		Original equipment manufacturer		Contract manufacturer		Packaging materials supplier		Supplier of medical devices		Bulk manufacturer	
Collaboration in a relationship	Deep collaboration, large product development projects		Collaboration on product development and design, NPI activities, and supplier acts as a pilot supplier in development projects		Many common development projects		Supply chain development projects		So far only little collaboration, but MedDev has a strong will to become more closely involved in buyer's demand chain		Only little collaboration, some operational development projects	
Performance of the relationship	Good	Good	Med	Med	Good	Med	Good	Med	Med	Med	Med	Low
Power balance	Balanced		Supplier		Buyer		Buyer		Balanced		Supplier	
Specific assets	Med	High	Med	Med	Low	Med	High	High	Med	Low	Low	Low
Perception of trus	High	High	High	High	High	High	High	High	High	High	Modera	High
Average power	High		High		Medium		Medium		Medium		Medium	
Level of attraction	High	High	High	Med	High	Med	High	High	High	High	Med	High
Buyer's and supplier's perceptions of control boundaries 1) 2)												
A.	1,4	2,0	2,5	2,3	2,2	2,3	2,5	2,0	2,8	3,7	1,3	1,0
B.	3,2	4,0	3,3	3,3	5,8	6,7	**3,5**	**7,0**	5,5	6,2	**2,5**	1,0
C.	2,8	3,0	2,7	4,0	**3,0**	**6,0**	**3,5**	**2,0**	**1,5**	**2,5**	**3,3**	1,0
D.	2,0	1,5	2,5	2,7	5,4	6,3	**2,5**	**1,0**	2,3	2,6	2,3	3,0
E.	**1,7**	**3,0**	2,8	2,7	3,8	4,0	**6,5**	**4,0**	**5,5**	**4,2**	3,0	3,0
Relinquish mechanisms:	Trust, attraction		Trust		Power, attractio		Power		Trust, attraction			

1) Scale (1-7): 1= Entirely decided by the supplier, 7= entirely decided by the customer

2) Biggest differences in perceptions between a buyer company and a supplier company are marked with bold

A. Supplier's production processes and manufacturing

B. Ongoing design and engineering changes

C. Supplier's level of inventory

D. Selection of supplier's sub suppliers

E. Supplier's quality control procedures

In all the case relationships, the buyer and the supplier collaborate on multiple functions, including product development and logistics, and, thus, the buyer has a need to influence and control suppliers in many areas. Although we could find examples in which either the buyer or the supplier clearly dominated the control, in the case relationships, none of the processes are controlled purely by the buyer or the supplier. Thus, both the buyer and the supplier have control over the explored

processes, as presented in Table 36. An explanation of this observation is that all the sample relationships are collaborative. Furthermore, control boundaries vary between processes within a relationship (Table 36), and in most of the case relationships also between product groups. For example, in the OEM-ContrMan and in the OEM-HiTecCo relationship, different logistics models are used for different products, and control boundaries vary accordingly (Table 34). Thus, control boundaries seem to be a multifaceted concept needing deeper exploration, and we cannot distinguish relationships as 'buyer controlled' or 'supplier controlled'.

Interestingly, it was found that there are gaps in the buyer's and the supplier's perceptions about control boundaries. There were small gaps in all the relationships, but in some relationships, the perceptual gaps were more significant (Table 8.4; the most significant differences are marked in bold). For instance, PharCo and PacCo see control boundaries as completely different in most of the processes (Table 35). In this relationship, the differences in perceptual gaps were surprisingly significant, and there seemed to be confusion about who decides and what. Over the course of the study, PharCo simultaneously placed more competitive pressure on PacCo and developed supply chain processes to be more effective from its own point of view, which decreased the efficiency of PacCo's operations. This unilateral pressure and use of coercive influence is one explanation for incongruences in perceptions. Another example is the otherwise well-functioning relationship OEM-HiTecCo, in which there were gaps in the perceptions of the supplier's quality control procedures. This seemed to be a concern for OEM's managers. In the PharCo-BulkMf relationship, the buyer (PharCo) would like to have more control in some processes. This is mirrored in the answers, and PharCo considers that it has more control than the supplier perceives. The perceptual gaps complicate collaboration and achievement of the relationship benefits. This leads to the first proposition:

Proposition 1: The control boundary is a multifaceted perceptual concept, and in a given buyer-supplier relationship, the control boundaries may differ across products and processes. There may be gaps in the buyer's and supplier's perceptions of control boundaries, which may influence the collaboration and achievement of the relationship benefits.

Our analysis of the interview data identified three main categories of antecedents of control boundaries: 1) the supplier's business model, 2) the relinquishment mechanism, and 3) the drivers for control boundaries. The interplay between these categories defines the control boundaries.

Type of supplier's business model

Based on interview data, we suggest that the type of the supplier's business model influences the control boundaries. There seems to be a 'natural' division of control in different types of business models. For example, in the OEM-ContrMan

relationship, which represents contract manufacturing, the buyer has strong control over the supplier's decisions, especially over design and engineering changes (see Table 36). In the OEM-CoCom relationship, with CoCom being an original equipment manufacturer, CoCom mainly decides these changes. However, a buyer may want to have more control than this 'natural' division, as discussed later. The supplier's business model influences the following processes in particular: 'supplier's production processes and manufacturing technology' and 'ongoing design and engineering changes'.

Control relinquishment mechanisms

If a buyer wants to have more control over the supplier, the supplier needs to relinquish control to the buyer, and vice versa. We identified the following partly linked mechanisms that enable the supplier's relinquishment of control: (1) trust, (2) power imbalance and (3) attraction (see Table 36).

Trust is a necessary antecedent when control relinquishment is a strategic choice of both partners. When trust is high in a relationship, one partner can trust that the other does not behave opportunistically (Alvarez et al., 2010; Heide & John, 1992; Pilbeam et al., 2012). In particular, benevolence-trust, with benevolence being the component that explains how likely it is that the trustee will take advantage of the trustor when the opportunity arises (Dyer & Chu, 2003), seems to be an important mechanism in relinquishing control. In the OEM-HiTecCo case, trust is high, and both parties are willing to put effort into making the relationship work as effectively as possible. *"The foundations of collaboration with HiTecCo are integrity and trust."* (Category Manager, Global Purchasing, OEM). Accordingly, in the OEM-CoCom case, trust enables relinquishment of control to certain levels: *"After 30 years of collaboration, we can trust each other. The ethical issues are important to OEM, and they seem to be important to CoCom as well."* (Category Manager, OEM).

Power enables relinquishment of control, as the more powerful partner can use its power to force the other party to relinquish control. The weaker partner (i.e. the partner with less power) is likely to fulfil a stronger partner's request through concern about losing business (Nyaga, 2013). Here, we adopt Emerson's (1972a) definition of power imbalance, the power imbalance in a relationship being the difference between the supplier's and the buyer's powers or dependencies (see also Study 1). If the buyer is more dependent on the supplier than the supplier is on the buyer, then the less dependent and more powerful supplier has a power advantage, and vice versa. The same buyer company can be the stronger party in some of its relationships, and the supplier in other relationships with the same buyer company. Thus, one buyer company has different possibilities for control in its different supplier relationships (see Table 36). PharCo has a clear power advantage over PacCo because PacCo is a small player and because PharCo has many alternative businesses offering comparable products and services to choose from if it should become dissatisfied with PacCo. Generally, PacCo does what

PharCo asks, and PharCo has, for example, taken control over design changes. *"In general, PharCo could listen to the supplier more and consider the supplier's situation."* (Key Account Manager, PacCo). Another example is the PharCo-BulkMf case, in which the supplier (BulkMf) has a power advantage because acquiring an alternative supplier would require a large investment and would take a considerable amount of time: "*It takes about two years to change a supplier. If we want to change the supplier, we have to make a new selling permit, send the application to the authorities and then launch. This process is typical in the medical industry*." (Purchasing Group Manager, PharCo). BulkMf is also a much larger company than PharCo. In this relationship, PharCo would like more control: *"We [PharCo] would like to have more control of process control in production. It would be important for us to influence this."* (Partner Management Manager, PharCo).

Power and trust have been widely linked to control (Li et al., 2010; van Veen-Dirks & Verdaasdonk, 2009). We add buyer-supplier attraction as an important mechanism for control relinquishment, as we identified that attraction influences the supplier's willingness to adapt control boundaries to suit the buyer's needs. Our results indicate that by being an attractive partner, a company can influence the other partner's decisions, and attraction seems to play a role in relationships in which a buyer does not have a power advantage. In the OEM-HiTecCo case, attraction is perceived as high by both parties, and OEM seems to have more control over HiTecCo than HiTecCo's other customers. OEM has managed to influence HiTecCo's choice of production technology, which was important to OEM. In the OEM-CoCom relationship, the attraction is only perceived as moderate by CoCom. Both OEM and CoCom act as 'channel captains' in most of their supply chains, and it is often unclear which company's processes should be followed in managing their common supply chain. OEM would like to have more control over CoCom's decisions, for instance at the inventory level, but CoCom is not willing to relinquish it. For level of attraction in case relationships, see table 36.

Drivers for control boundaries

The drivers for the control boundaries denote why the buyer wants to have more or less control over the supplier. We identified two categories: (1) aimed outcome and (2) resources and capabilities of the partners.

The resources and capabilities of partners denote that the partner with the best capabilities or resources has more control over the process. This was the most common driver of control boundaries in our analysis. For instance, in the OEM-CoCom relationship, CoCom mainly decides the production processes, as OEM sees that CoCom has the best capabilities in these. *"We don't need to control; they know it [production processes] best*!" (Category Manager, OEM). In the PharCo-BulkMf relationship, the buyer helps the supplier to develop the production processes, as the buyer has more knowledge and better capabilities. *"We [PharCo] have helped to solve the problems in production, and we'd rather not …"* (Purchasing Group Manager, PharCo). Thus, PharCo feels that it has to take too much

control, as the supplier does not have enough capabilities. Accordingly, in the OEM-ContrMan relationship, *"OEM has invested in software development resources as ContrMan was not capable of doing so.*" (Category Group Manager, OEM).

In the interviews, supply chain effectiveness, minimising the buyer's work, and the buyer's particular demands for a supplier were identified as targeted outcomes of the control boundaries. In other words, a buyer had some objectives for the relationship, and the control boundaries were decided by these objectives.

Supply chain effectiveness includes the buyer's aim to optimise the total supply chain effectiveness and ensure availability. OEM, for example, wants to ensure availability in some strategic product groups by deciding the buffer inventory levels of the supplier. *"OEM decides the inventory levels of OEM-specific products, and we decide standard products.*" (Key Account Manager, CoCom). *"As the level of inventories influences the price we [OEM] pay [for ContrMan], we follow the inventory level."* (Manufacturing Solutions Manager, OEM). SC efficiency was a driver in the OEM-HiTecCo relationship. *"Through collaboration with HiTecCo, OEM's goal is to build up a flexible SC of low cost."* (Category Manager, Global Purchasing, OEM).

The buyer aims to minimise its own work by handing over control to the supplier. This differs from supply chain effectiveness in the sense that the buyer tries to minimise its own work, and the perspective is not of the whole supply chain. OEM used consignment stock in all the explored relationships in order to minimise its own work in some, but not in all, product groups with all the studied suppliers. It is noteworthy that, in these cases, the buyer actually hands control over to the supplier. OEM had different logistics models in use in divergent product groups, and in other product groups, other explanations for the division of control could be identified. The effects of control delegation to the supplier have been discussed by previous authors, and, for instance, Choi and Linton (2011) and Rossetti and Choi (2005) have discussed risks related to delegation.

We also identified situations in which a buyer wants **to influence particular issues that are important to the buyer** and that may not be as important to other customers of the supplier in question. These influenced the control boundaries, as buyer companies in these cases aimed to have more control over the supplier. For instance, for OEM, issues related to the environment and ethics are important, and OEM controls whether suppliers take these issues into consideration. This is important, especially in the selection of suppliers' sub-suppliers, and also in quality procedures. *"We have emphasised ethical and environmental issues in contracts and we require that HiTecCo monitors and audits its own suppliers."* (Category Manager, Global Purchasing, OEM). Authority requirements also belong to this category. The authorities require PharCo to have control over the suppliers' quality procedures and, for instance, MedDev uses both generic models and PharCo-specific models for quality control.

We summarise these results in the model presented in Figure 14:

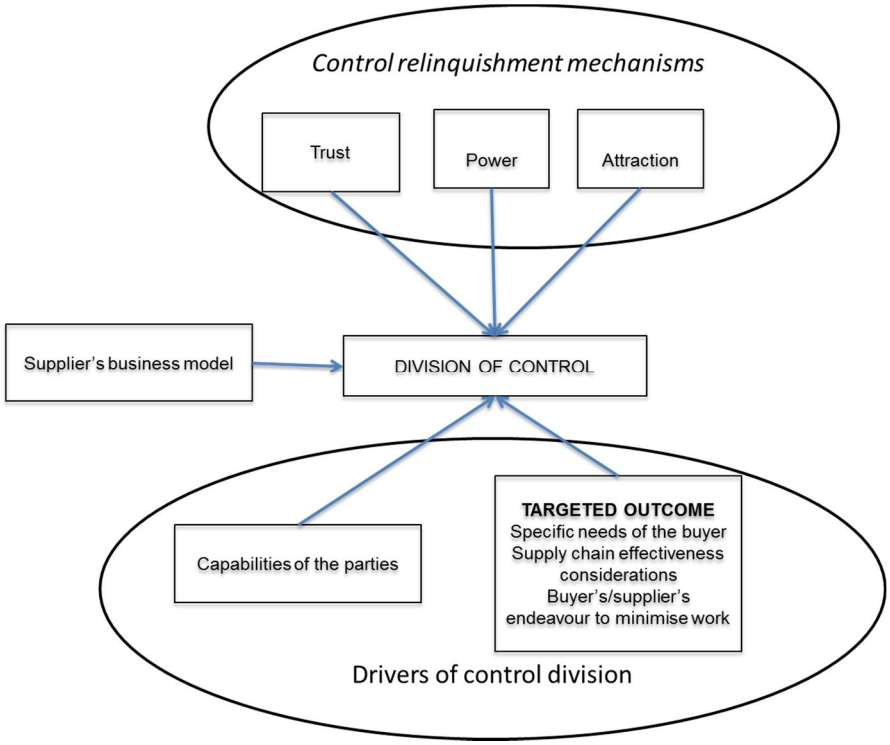

Figure 14. Tentative model of the antecedents of control boundaries

These findings lead to our second proposition:

Proposition 2: Control boundaries are formed by the interplay of: 1) the supplier's business model, 2) trust, power and attraction as enablers of the relinquishment of control, and 3) capabilities of the parties, the buyer's particular demands, the buyer's need to minimise its work, and the total supply chain effectiveness as drivers for boundaries.

8.5 Discussion and conclusions

Building on recent developments in industry and research, we focus on control boundaries in strategic BSRs. It is generally agreed that long-term relationships with key suppliers are a source of a stronger competitive position (Liker & Choi, 2004; Walter et al., 2003). An important premise in managing strategic BSRs is encouraging the collaboration to reach the objectives of relationship partners

(Hausman & Johnston, 2010) and to obtain strategic aims. Firms need to influence their partners. Establishing supplier control mechanisms (Krause et al., 2000) has already been identified in prior research as a recommendation for companies that want to improve BSRs on a continuing basis (Joshi, 2009; Krause et al., 2000). Recent changes, such as outsourcing and collaborative relationships, have narrowed the boundary around the firm (Gadde, 2013) and emphasised the importance of understanding control boundaries.

This study has both theoretical and practical implications. Given the increasing importance of managing strategic BSRs in SCM research (Lumineau & Henderson, 2012; Terpend et al., 2008, for a review), this study tries to answer the question "What explains the control boundaries of a firm in strategic BSRs?" The theoretical construct of inter-firm control occupies a focal position in several literature streams, but competing explanations of control boundaries exist.

For the most part, previous studies have only examined the perspective of the buyer, although control involves dyadic interaction. In this study, we introduce a dyadic approach to control in BSRs, including the views of both the buyer and the supplier. Previously, it has been suggested that the buyer is the controller and the supplier is the controlee (Stouthuysen et al., 2012). We challenge the common ontological assumption that control in a buyer-supplier relationship is an unambiguous construct that can be objectively defined and propose that control is a multifaceted and perceptual concept. In our sample relationships, both the buyer and the supplier have control over processes, and the distribution of control may vary between product groups. It is not easy to determine who controls the supply chain. Moreover, we propose that there are gaps in perceptions of control boundaries, and these boundaries may look different from the buyer's and the supplier's perspectives. It has been suggested that perceptual gaps should be identified and eliminated (Barnes et al., 2007; Oosterhuis et al., 2013), as perceptual gaps complicate collaboration and gaining of relationship benefits. One relevant explanation for these incongruences in perceptions is the unilateral nature of the relationship, in which the buyer bases its action on power. This may cause problems for the relationships, as it has been suggested that understanding control boundaries is critical (Gadde, 2013; Dubois, 1998). In addition, academics should consider these incongruences, as the results of studies may be misleading if only the opinion of the buyer is consulted. Previously, only a few empirical studies had examined whether buyers and suppliers actually perceive their relationships in a similar fashion (Ambrose et al., 2010; Barnes et al., 2007).

We advance the antecedents of control boundaries. We propose that control boundaries are defined by the interaction of: (1) the supplier's business model, (2) power, trust, and attraction as enablers of control relinquishment, and (3) capabilities of the parties, the buyer's particular demands, the buyer's need to minimise its work, and the overall supply chain effectiveness as drivers for boundaries. Our tentative model of control boundaries (in Figure 14) adds understanding by categorising the different antecedents of control boundaries to (a) enablers and (b) drivers. Drivers are explanations why the buyer aims for certain control boundaries, and enablers are mechanisms that aid in the suppliers relinquishment of

control. Control relinquishment to the other party in a buyer-supplier relationship can either be a strategic choice for improving supply chain efficiency (Andersen & Kumar, 2006) or a result of coercion (de Man & Roijakkers, 2009). Heide and John (1992) argue that a supplier will not transfer decision control to a buyer without some assurance that the achieved control will not be abused. In bilateral relationships, trust and attraction enable the efficiency considerations of control boundaries, and the partner who has the best capabilities and resources has control over the processes. The role of relational constructs, such as trust and power, has been discussed in supply chain literature and linked to control (Delbufalo, 2012; Huemer et al., 2009; Li et al., 2010; Pilbeam et al., 2012; Sako, 1992; Sánchez et al., 2012), but we gain new insights into their role in control relinquishment. The results of this study also add buyer-supplier attraction as an enabler for control relinquishment. Based on our interviews, attraction seems to have an important role in those specific situations in which the buyer does not have the power advantage. Buyer-supplier attraction has recently received increasing attention in supply chain literature, as it has been identified as a mechanism that fosters joint value creation and enables influence (Hüttinger et al., 2012; Mortensen, 2012; Schiele, 2012). Capabilities are arguably closely linked to trust in the other party's competence and, for instance, Sako's typology of three types of trust that develop over time are contract, competence and goodwill (Sako, 1992). However, in our model, trust (and benevolence-trust in particular) acts as an enabler and capabilities as drivers.

Traditionally, TCE has been adopted as a primary theoretical lens to explore the antecedents of control mechanisms in buyer-supplier cooperation (for example, Frazier et al., 1989; Heide & John, 1992; Petersen et al., 2008; Provan & Skinner, 1989). Our study provides empirical evidence that the approach of TCE, in which control is used to safeguard specific assets, does not explain the division of control in strategic buyer-supplier relationships. In addition, some previous authors, such as Poppo and Zenger (2002), have criticised the TCE approach to control and argued that transaction cost economics overstates the desirability of either integration or explicit contractual safeguards in exchange settings commonly labelled as hazardous.

We suggest that, in addition to buyer control, supplier control also needs to be explored in order to obtain a comprehensive view of control boundaries in buyer-supplier relationships. Supplier control refers to the supplier's control over decisions that are usually in the buyer's basic market transactions. This would be a new approach in supply chain management literature.

This study has insights for managers seeking to improve their supply chains. Given that today's firms rely extensively on external suppliers in value creation, it is not surprising that prior research has identified the improvement of supplier relationships as critical to competitive advantage (Cannon et al., 2010). Few managers comprehend the nuanced complexities of strategic relationships in supply chains. As a result, gains from collaboration can be disappointing (Fawcett et al., 2012), and integrating complementary competencies into supply chains has been demonstrated to be difficult (Fawcett et al., 2012). Our results propose that it

would be important for managers to identify and analyse control boundaries, as many companies tend to rely on popular ideas rather than on thorough analyses of the boundary-setting issues (see also, Gadde, 2013). Understanding the interplay between antecedents of control boundaries is significant in achieving the targeted benefits in the relationship. Managers need to identify the control boundaries in different processes and product groups and adapt them to the needs as derived from strategic intent. We also suggest that business managers need to identify the possible perceptual gaps in control boundaries, as these may complicate supply chain collaboration.

There is no empirical study without limitations. This study contributes to the existing theory by shedding light on antecedents and reasons for control boundaries in buyer-supplier relationships. We focused on buyer control, which is determined as the buyer's control over the supplier's decisions. We see that it would be important to study also supplier control to obtain a comprehensive picture of control in a channel relationship. We opened a door to the discussion on whether control in the buyer-supplier relationship may look different from the buyer's and the supplier's perspectives, but more exploration is necessary. Future research examining how these differences affect the buyer-supplier relationship would be intriguing.

9. Conclusions and discussion

The findings of this thesis extend the current BSR literature by providing new insights into the development of supply management in general and, specifically, the role of attraction and control boundaries in value creation in strategic BSRs. A strategic relationship is defined as: "A relationship with a company that possesses resources that are vital for future success. A relationship is based upon joint opportunities and includes a large amount of cooperation in different levels, such as in product, operations, and business development." The empirical setting of the thesis is formed by six BSRs. This chapter assesses the theoretical contribution and managerial implications of the results, discusses the limitations of this thesis and gives recommendations for future research.

9.1 Theoretical implications

This study makes a theoretical contribution by adding understanding of social mechanisms of voluntary, reciprocal value creation. Specifically, this study increases our understanding about the role of attraction and control boundaries in value creation in strategic BSRs. For instance, Schiele et al. (2011) argue that the role of social factors in BSRs is not sufficiently understood. This is important, as in strategic BSRs, value is created jointly in relationships (Goffin et al., 2006; Hald et al., 2009; Lindgreen, 2012), not just transferred from the supplier to the buyer, and a large amount of value is created through efforts that are not determined by contracts. Value creation, as proposed by SET, is always non-contractual, emphasising reciprocity and relying on trust (Homans, 1961; Blau, 1986). Even though contracts are used in most BSRs, they are often incomplete, especially in strategic BSRs, and a substantial amount of value is produced through actions that are not directly defined by contracts. It is therefore important to understand non-contractual, reciprocal value creation and influence in exchanges.

This thesis applies SET as the underlying theory, as SET provides a fruitful approach to describing and explaining the mechanisms of the non-contractual, voluntary efforts made by companies. SET has previously been successfully applied in supply chain and BSR literature to explain the voluntary effort and commitment that is often observed in BSRs (Nieminen, 2011). The fundamental assumptions that social exchanges are voluntary and work under uncertainty fit well within the

context of a BSR. Here, the buyer and supplier companies interact of their own free will without being sure that the efforts they make will be reciprocated in the future. According to SET, drivers of social processes are feelings of attraction between actors and the wish to gain numerous kinds of rewards (Blau, 1986). Moreover, SET's approaches, including both extrinsic and intrinsic dimensions of reward, are applicable in collaborative BSRs (Narayandas & Rangan, 2004). Previous researchers have suggested that SET has great potential for better explanation and understanding of supply chain relationships (Cropanzano & Mitchell, 2005; Griffith et al., 2006) and that there seems to be a lack of research employing SET within BSR management (for example, Hald et al., 2009; Narasimhan et al., 2009). Actually, Narasimhan et al. (2009) argue that the lack of application of SET in supply chain management is surprising, considering how well SET fits the study of supply chains.

The following sections present the contributions of this thesis to the theory in three parts: (1) a framework of the social mechanism of value creation and influence, (2) buyer-supplier attraction and control as mechanisms affecting non-contractual value creation and influence, and (3) a contribution to the literature streams of 'control in supply chains' and 'buyer-supplier attraction'.

9.1.1 A framework of the social mechanisms of non-contractual value creation and influence

This section presents conclusions related to question 1: How do the social mechanisms affect value creation in strategic BSRs as proposed by SET?

This part of the thesis has a conceptual approach that draws on SET. Value in a buyer-supplier relationship is definitely not a new research stream; it has been studied in various fields, including economics, marketing, strategy and operations management. However, despite considerable interest in this topic (for a review, see Lindgreen, 2012; Lindgreen & Wynstra, 2005), Beverland (2012, p. 9) concludes that "although we now know more about value, we still have much to learn." The most obvious shortcomings of the traditional approach are a one-sided emphasis on the benefits that buyers gain from consuming products or services delivered by suppliers (Ramsay, 2005) and on value creation as managed by contracts that define the rights and responsibilities of the relationship partners.

Given the importance of voluntary, non-contractual value creation, the thesis produced a framework that gives an explanation for this. The value of the framework lies in how **it combines the basic propositions and assumptions of SET in a novel way in the context of BSRs to provide an explanation for the voluntary value creation and commitment that are often observed between a buyer and a supplier in a relationship**. The strength of this framework is that these propositions and the relationship between the constructs are strongly proven by social exchange theorists. Moreover, this study shows that SET is a powerful theoretical framework for explaining complex BSRs. However, it is crucial to understand the basic assumptions and the scope of the useful concepts and theoret-

ical constructs of SET. This thesis makes a major effort to clarify these issues. This framework also acts as the basis and background for the rest of the thesis.

The results of the thesis incorporate **how the two dimensions of structural (reward) power, namely power asymmetry and average power together, give an explanation of the amount and distribution of value creation in BSRs**. Thus, understanding these two separate dimensions of structural power is essential. The existing inter-organisational literature recognises the vital role of power (Meehan & Wright, 2012). However, previous authors have not been able to agree on the connection to value creation, as most of the previous contributions regarding power focus on the use of power (Ireland & Webb, 2007; Nyaga et al., 2013; Zhao et al., 2008) or the dynamics of power (Blois, 2005; Cox et al., 2004; Hingley, 2005; Ireland, 2004). Power imbalances have been identified as an important factor influencing the success of BSRs (Nyaga et al., 2013), as the nature of power in supply chains presumes an imbalanced distribution of it (Belaya et al., 2009). In the words of Cox (2001), all supply chain relationships, either buyer-supplier dyads or an extended network of actors, are in an environment in which the partners have different levels of power. He argues that "all buyer and supplier relationships are predicated on the relative utility and the relative scarcity of the resources that are exchanged between the two parties" (Cox, 2001, p. 5).

The results of my thesis indicate that by **influencing different sources of dependency, meaning valuable resources and the number of alternatives or primacy, companies can influence structural power**. In line with the approach of this study, a key body of knowledge in the supply chain power literature, namely the work by the so-called power regime theorists (Cox et al., 2004; Cox, 1999; Cox, 2001; Ireland, 2004; Ireland & Webb, 2007), identifies dependencies as a foundation of power. However, it seems that many previous studies simplify dependency as the number of alternatives (Meehan & Wright, 2012) and neglect the other sources of dependency suggested by social exchange theorists.

Understanding how the different sources of dependency influence structural power and, thus, value creation, is essential, as by affecting one or more of these sources of dependency, a company influences its structural power, which then determines the exchange frequency and the amount of exchange over the course of a relationship. For instance, for the buyer, developing alternative sources of supply or resources that the supplier values, puts pressure on the supplier to add more value for the buyer. This finding is consistent with the study by Narasimhan et al. (2009), which found that the buyer gains substantial benefits by investigating alternative sources of supply to get out of a 'lock-in' situation.

Primacy, which refers to the number of exchange domains that the relationship mediates, also seems to explain value creation in BSRs. In general, previous studies of BSRs have not paid attention to the primacy construct, not even those studies using SET. However, the results of this thesis indicate that the primacy construct would also provide useful insights into exploring BSRs. In an exchange domain, the value of outcomes decreases according to the principle of satiation or diminishing marginal utility (Molm, 1997). Each domain is independent

in the way that an increase in one domain has no effect on the value of other domains. Products and money are examples of exchange domains and, in transactional relationships, these may be the only domains. In strategic BSRs, there are usually many more domains; for instance, information about technology development may be an exchange domain for a buyer or learning from the relationship may be an exchange domain for a supplier. These may also change over time, as the value of technological development may first be high but after a certain point, additional knowledge may become less and less valuable. Generally, the higher the primacy is, the more dependent the actor. **Understanding and influence over exchange domains give a buyer or a supplier the possibility to affect structural power. By 'adding' a new exchange domain for its relationship partner, an actor can increase its structural power.**

Figure 15 summarises how a buyer can influence dependency and thus the amount and frequency of exchange in BSRs

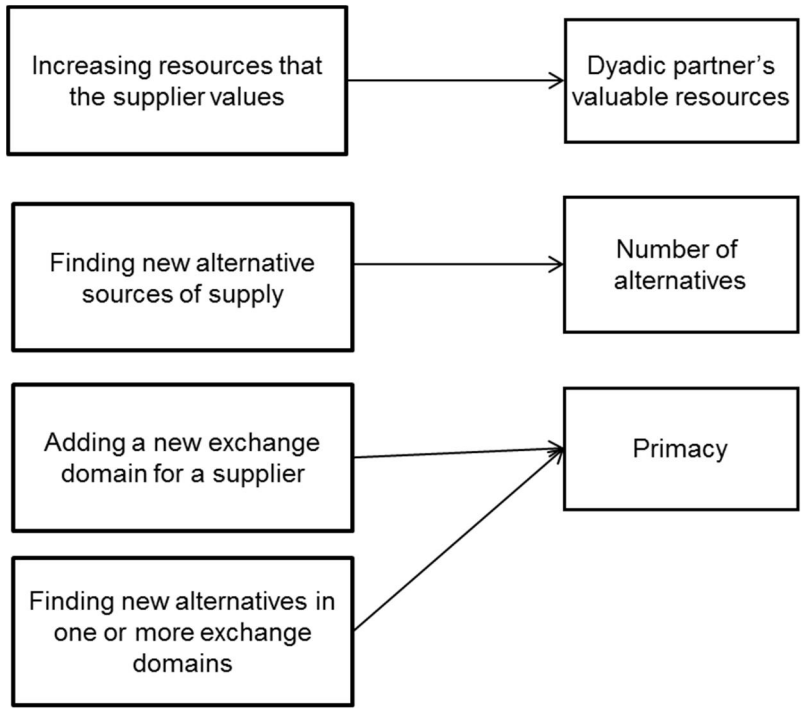

Figure 15. Different alternatives for a buyer to influence sources of dependence

While many of the previous studies discussing power see power mainly as a negative force, this study recognises structural power as an explanation and source of joint value creation. Although previous literature has linked reward power to positive effects in a relationship, these studies have mostly focused on the use of reward power in the form of incentives (Zhao et al., 2008; Nyaga et al., 2013). This thesis, on the other hand, emphasises the role of reward power as a source of value creation. Reward power, as defined in SET, refers to the ability to provide or withhold rewards in promoting desired behaviours (Ireland & Webb, 2005; Molm, 1997). An actor is said to use power to the extent that it obtains greater rewards at lower costs (Molm, 1997). Reward power can be structurally induced and does not need to be used intentionally in order to be effective (Emerson, 1962; Molm et al., 2000). This aspect is undervalued in BSR research, and BSR literature would benefit from exploring this approach to this unintentional use of reward power.

These findings can be summarised in Proposition 1:

Proposition 1: Structural (reward) power, meaning power asymmetry and average power together, explains the total amount and distribution of value creation in BSRs. By influencing different sources of dependency, in other words the valuable resources that a company possesses, the number of alternatives, or primacy, companies can influence the structural power, which then determines the exchange frequency and amount of exchange over the course of the relationship.

9.1.2 Buyer-supplier attraction and control as mechanisms influencing non-contractual value creation and influence

The empirical part of this thesis provides a contribution to the BSR literature by exploring buyer-supplier attraction and control as mechanisms influencing non-contractual value creation and influence. **The thesis identifies attraction and control as important mechanisms of non-contractual value creation and influence**. An actor can influence its supply chain partner either intentionally by strategic actions or unintentionally as proposed in SET. Together, control and buyer-supplier attraction bring **both active influence and unintentional influence**.

It has been suggested that the success of collaboration in BSRs depends on effective control (Pilbeam et al., 2012), and control is considered one of the main governance mechanisms in BSRs. Control is considered to consist of efforts to motivate relationship partners to achieve designated objectives (Stouthuysen et al., 2012). In particular, the current trend towards outsourcing and collaborative business relationships has highlighted the role of control boundaries (Gadde, 2013), and a company with dependencies on business partners can no longer control its own resources and operations. In addition, companies urgently need to influence the important resources that are located in other companies in the supply chain.

Establishing and developing relationships involves both choosing others to collaborate with and being chosen by others (Mortensen, 2012; Wilkinson et al., 2005). However, surprisingly, there only seems to be limited understanding of how relationships are initiated and developed between buyers and suppliers (Halinen, 1997; Harris et al., 2003; Mortensen, 2012; Wilkinson et al., 2005). This thesis examines the concept of attraction as a mechanism that can explain the motivation for, and development of, relationships between suppliers and buyers. This argument is based on the SET proposal that attraction precedes non-contractual, reciprocal effort, and that mutual attraction creates a situation in which both partners in a dyadic relationship make voluntary actions to reciprocate and remain attractive in each other's eyes. Moreover, **attraction increases reward power and, thus, gives a possibility to influence structural power**. A major strength of the attractiveness construct is that it is rooted in a strong theoretical framework, namely SET. Attraction is driven by self-interest; within a dyadic exchange, a party is attractive only to the extent that it provides rewards that are important to the other party (Blau, 1986). The theory posits that both the buyer and the supplier, if they perceive the other to be attractive, endeavour to create value by investing in the relationship. Although attraction is linked to various constructs, including value, trust and commitment, this thesis suggests, following Halinen (1997), that the attraction construct should be studied in its own right. The customer attraction approach emphasises the importance of understanding the supplier's needs and preferences, which is relatively new in purchasing and supply management literature. Although the marketing literature in this area is extensive, the lack of literature concerning the effects of buyer behaviour on suppliers is remarkable (Ramsay, 2013).

The dyadic approach of this thesis makes a contribution to the BSR literature in general and, especially, to attraction and control literature, as there are considerably different drivers of relationship success for buyers and suppliers in the same relationship (Ambrose et al., 2010). However, the dyadic studies of BSRs are still limited. For instance, Terpend et al. (2008) found that only 6 of 151 articles about BSRs were dyadic. The antecedents and dynamics of relationships have mainly been tested on separate groups of buyers and suppliers, and rarely between buyers and suppliers in the same relationship (Terpend et al., 2008). Thus, as both control and attraction involve dyadic interactions, the dyadic approach of this study makes a contribution to the literature.

The results of this thesis indicate that there are gaps in the perceptions of the buyer and the supplier in strategic relationships, and these perceptual gaps may influence the success of the relationship. In some relationships, the gaps are significant, even though the relationships have existed for a long time, and it may be expected that the partners have got to know each other well. It is important to understand that these gaps exist (Giannakis, 2007). This is also supported by previous studies that have gathered dyadic data. Substantial differences between the buyers and the suppliers were common (Ambrose et al., 2010; Corsten & Kumar, 2005; Whipple et al., 2010), and these differences may have had a major negative influence on performance. When considering satisfaction with the rela-

tionship, suppliers tend to rate the relationship more highly than buyers do (Barnes et al., 2007). There has been some evidence of congruence between the partners on behavioural dimensions such as communication, but it is less evident in attitudinal aspects such as trust (Campbell, 1997). By comparing the buyers' and suppliers' perceptions of relationship dimensions, Ambrose et al. (2010) found that, for commitment, adaptability, communication, dependence, power and performance, there are significant differences in the perception of these dimensions in the relationship.

Moreover, this thesis suggests that it is important to consider the perceptions of multiple functions when exploring strategic BSRs. The actors in different functions (purchasing, manufacturing and R&D) and organisational levels (top management, middle management and experts) have partly different perceptions. However, in collaborative relationships, there are many contact points in both the buyer and supplier organisations, and these may have different perceptions of the partners. The literature on customer attraction has mostly used purchasing directors or marketing directors as informants. The results of my thesis indicate that the purchasing organisation and supply management practices determine how these different perceptions in one organisation affect the customer-supplier relationship.

9.1.3 Contribution to buyer-supplier attraction and control in supply chain literature

This section presents the conclusions related to questions 2 and 3. Question 2: How does attraction affect value creation in strategic BSRs? Question 3: What explains the control boundaries of a firm in strategic BSRs?

Specifically, my thesis contributes to the theories of buyer-supplier attraction and control. These contributions are discussed more broadly in Studies 2, 3, 4 and 5, and my intention is not to repeat them, but a couple of contributions are worth discussing here.

Although buyer-supplier attraction has received increasing interest in recent years, a coherent theory of buyer-supplier attraction seems to be lacking. A major problem is that the few contributions diverge in their explanations and understanding of the concept in a BSR context. Despite increasing numbers of buyer-supplier attraction and, especially, customer attraction studies, in-depth empirical explorations focusing on strategic BSRs remain scarce. Previous studies have been mainly conceptual (for example, Hald et al., 2009), literature reviews (Mortensen, 2012; Hüttinger et al., 2012) or have examined attraction only from the perspective of the buyer (Bonner & Calantone, 2005; Hüttinger et al., 2012; Schiele & Krummaker, 2011). Moreover, Mortensen (2012) argues that much previous literature (for instance, Fiocca, 1982; Olsen & Ellram, 1997) uses the term attraction in its generic definition, rather than attraction based on SET. Schiele and Krummaker (2011) opine that the shortage of empirical studies on attraction may be due to the difficulty of comprehending the concept. Thus, the limited literature, and the diversity of explanations, highlights the importance of further studying attraction. The exploration of attraction in the present thesis, from the perspectives of both a

buyer and a supplier, provides a strong contribution to the emerging theory of buyer-supplier attraction.

While previous studies of attraction have explained much about securing preferred customer/supplier status and the role of attraction in the initiation and intensification phases of BSRs (Baxter, 2012; Hüttinger et al., 2012; Nollet et al., 2012; Schiele et al., 2011; Schiele, 2012; Schiele & Krummaker, 2011), **this thesis increases understanding of the use of attraction strategically to gain more benefits in complex, strategic BSRs**. In these relationships, the development of attraction is important because companies urgently need to influence their suppliers and customers if they hope to reach their strategic goals. Attraction explains value creation and influence based on the approach proposed by SET (Blau, 1986; Emerson, 1976; Emerson, 1962; Thibaut & Kelly, 1959).

This thesis is the first study that empirically applies SET to measure attraction, and also the first study to apply the conceptual model of attraction developed by Hald et al. (2009). The results point out issues that need to be taken into account when empirically studying attraction in the strategic BSR context. The results suggest that, together, the level of expected value, the level of trust, and dependency indicate the level of attraction in a relationship. None of these is sufficient on its own. The challenge of measuring the level of attraction based on perceived expected value and trust alone is twofold. Firstly, the existing theoretical knowledge on expected value is fairly fragmented and clearly still developing (Ulaga, 2003), and value creation is a problematic phenomenon to conceptualise (Mortensen, 2012). Intrinsic value, which grows from interaction, is especially difficult to conceptualise. Secondly, as attraction is an attribute of a relationship, the attributes of attraction are individual to each relationship, and the relative importance of different attributes also varies between relationships. Thus, different suppliers of one buyer company may find divergent attributes to shape attractiveness, and this makes it difficult to develop a 'universal' measure.

The thesis contributes to the discussion on buyer-supplier attraction by identifying the different bases of buyer and supplier attraction in Study 2. Moreover, my thesis identifies the antecedents of these bases **and how the importance of different bases is contingent upon the strategic intent of the buyer or the supplier**. The analyses identified four main categories of both buyer and supplier attractiveness:1) Economic-based attractiveness, 2) Behaviour-based attractiveness, 3) Resource-based attractiveness, and 4) Bridging-based attractiveness. Although buyer and supplier attractiveness share many of the same attributes, the relative importance of these varies. The study used exploration-exploitation (see, for example, Lavie & Rosenkopf, 2006) to conceptualise the firm's strategic intent. The bases of attractiveness play different roles in different BSRs. The more explorative the strategic intent of the relationship is, the more important the resource- and bridging-based drivers of attractiveness. When the strategic intent was purely exploitative, economic-based drivers dominated the perceived attractiveness. This framework helps to identify why some bases are important in some relationships but not in all. The best fit is achieved in relationships in which the strategic intents of the buyer and the supplier are close to one

another in the relationship. Previous studies have found strategic fit to be an important predictor of a relational mechanism in relationships (Lavie et al., 2012; Wilkinson et al., 2005). Thus, it is important for one party to communicate its strategic intents and to understand the other party's strategic intents so that both parties can determine whether they are attractive to one another. Understanding the different bases of attractiveness helps in this process. Within the limits of its resources and capabilities, a company can choose how it appears in each relationship.

This dissertation contributes to the academic discussion **by showing that attraction plays an important role in relationship success and that mutual (high and congruent) attraction precedes, but does not guarantee, mutual success in the relationship** (Study 4). The empirical results support the conceptual argument by Hald et al. (2009) that for value to be created between the buyer and the supplier, the dyadic actors must view the relationship as attractive. The findings indicate that developing attraction in a relationship creates possibilities for increasing relationship success, but companies must work to realise these possibilities. The results of this thesis also indicate that firms generally are not very aware of the determinants of their attractiveness in BSRs, and this ignorance may pose a major obstacle to shaping their attractiveness and using attractiveness strategically to influence supply chain partners. Moreover, the results of the thesis indicate that perceptions of one's own attraction influence the power balance and, thus, the distribution of power. Thus, it is advantageous for the buyer if suppliers underrate their attractiveness because they will also underrate their position of power in the relationship.

The discussion of customer attraction has been largely limited to empirically validating consequences (Schiele et al., 2011) and discussing the role of attraction in developing relationships (Harris, 2003; Mortensen, 2008). However, there is only limited understanding of how to manage customer attraction. **This thesis contributes new understanding by proposing a framework for managing attraction as part of supplier relationship management**. One value of this thesis arises from applying the SET argument: attraction can be used either unintentionally or by strategic actions to influence business partners (Blau, 1986). This approach is novel in the context of BSRs. Thus, a buyer's behaviour influences its attraction in the eyes of its supplier (Ellis et al., 2012; Blau, 1986) **and suggests that a buyer can influence perceptions of attraction by adapting practices that influence its supplier's perceptions of different elements of expected value, trust and dependence**. Managing customer attractiveness is complex: in addition to the large number of elements that contribute to attraction, every supplier finds different aspects of relationship to be important. The proposed framework helps to address this problem, and its merit lies in its ability to identify both the importance and level of different elements. Importantly, the elements of attraction in the framework are based solidly on theory.

These findings lead to Propositions 2-5:

Proposition 2: Attraction precedes the reciprocal, voluntary efforts, and mutual attraction creates a situation in which both a buyer and a supplier make voluntary efforts to reciprocate and remain attractive in each other's eyes. The operational success of the relationship requires that at least either a buyer or a supplier has a high level of attraction. However, mutual attraction, i.e. high and congruent attraction, is a prerequisite for the joint success of the relationship.

Proposition 3: Attractiveness consists of: 1) economic-based, 2) behaviour-based, 3) resource-based and 4) bridging-based attractiveness. The bases are different for buyer and supplier attractiveness, as is the relative importance of different bases. The importance of different bases of attractiveness is contingent on the strategic intent of the firm in the BSR. The best fit is achieved in relationships in which the strategic intents of the relationship partners are close to one another.

Proposition 4: Attraction is in the eyes of the other party. A company can influence its attraction by changing its behaviour and influencing the other partner's perceptions of different elements of attraction. As attraction is about perceptions, it is important to communicate and help the counterpart to evaluate the expected value of the relationship. Thus, understanding the different elements of attractiveness and the expectations of the counterpart lead to improved joint value creation in a strategic BSR.

Proposition 5: Attraction can be used strategically to gain benefits from the relationship and to influence the relationship partner. For this purpose, attraction should be managed as part of supplier relationship management, in which attraction can be assessed by operationalising the different elements of expected value, trust and dependence.

Previous studies of control in supply chains have mostly focused on the antecedents of applying different control mechanisms – formal control, social control, or both – and on the relationship between formal control and social control (Li et al., 2010). In this thesis, however, the focus was on understanding the control boundaries. The importance of control boundaries has been highlighted recently, as a company can no longer depend on only its own resources and operations but maintains interdependencies to other partners (Gadde, 2013), and it is important for it to influence crucial resources that are outside its ownership boundaries. A company can take more control from its business partners, or it may give control to its business partners. For the supply chain to be successful, it is important to understand these control boundaries and their implications.

For the most part, previous studies have only examined the perspective of the buyer, although control involves dyadic interaction. Control includes dyadic interactions with a "controller" (the company exercising control) and a "controllee" (the target of control; Stouthuysen et al., 2012). Previous studies have mostly suggest-

ed that the buyer is the controller and the supplier is the controllee (Stouthuysen et al., 2012). The thesis challenges the common ontological assumption that control in a BSR is an unambiguous construct that can be objectively defined, and it proposes that control is a multifaceted and perceptual concept. This thesis proposes that control boundaries are defined by the interaction of: (1) supplier's business model, (2) power, trust, and attraction as enablers of control relinquishment, and (3) the capabilities of the parties, the buyer's particular demands, the buyer's need to minimise its work, and total supply chain effectiveness as drivers for boundaries.

These findings are summarized in Proposition 6 below.

Proposition 6: Understanding control boundaries is important when aiming to influence the other party. The control boundary is a multifaceted perceptual concept, and in a given buyer-supplier relationship, the control boundaries may differ across different products and processes, and there may be gaps in the buyer's and supplier's perceptions of control boundaries, which may influence the relationship success.

As summarised in Figure 16, all the propositions add to our understanding of the success of the joint value creation by suggesting mechanisms and means to affect joint value creation and influence.

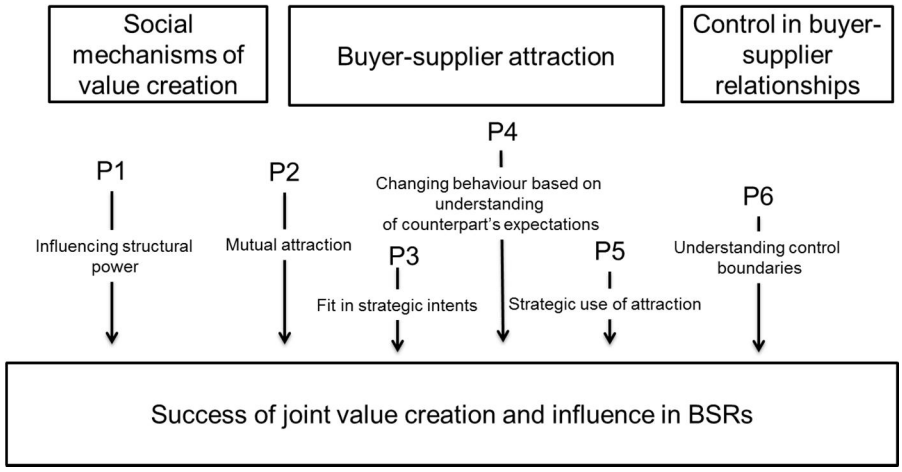

Figure 16. Summary of propositions

9.2 Managerial implications

This thesis has several managerial implications. For today's managers, the findings emphasise the important role of psychological and social elements of supply management and offer a good basis for deeper understanding and realisation of

the potential of social elements of exchange. Managers need to understand the significance of non-contractual, voluntary exchanges, as in collaborative BSRs, a large amount of value is created through actions that are not described in contracts.

For today's managers, the one fundamental outcome of this research relates to adding important new insights to power. This study suggests that power asymmetry and average power (i.e. interdependency) together explain the total amount and distribution of value creation in BSRs, and that reward power is important as a power base in value creation. Thus, managers who wish to increase the effectiveness of their key relationships need to consider reward power and develop it with intent. They need to understand the sources of reward power and how they can influence them. This study identifies different means to influence structural power and, thus, the amount and distribution of value creation.

Following SET, this study suggests that attraction increases reward power in a relationship, and the findings of my thesis indicate that buyer-supplier attraction plays a strong role in joint value creation and the success of strategic relationships. Thus, developing a company's attractiveness is vital for the success of this relationship. Recognising the important role of attraction helps managers to realise the potential value of strategic BSRs and to justify investments in particular relationships. Understanding the role of attraction in BSRs helps managers to realise why attempts to develop collaborative relationships with key suppliers does not work and how they could create more beneficial relationships.

Moreover, buyers need to recognise that they, together with other buying companies, are competing for resources from their suppliers (see also Schiele, 2012). My thesis considers attraction a mechanism that makes a supplier put its best effort into creating value for the company. Importantly, the findings suggest that companies can strategically use attraction to develop their key supplier relationships. This means that to influence the course of an ongoing exchange relationship, a buyer company can use the resources that the supplier values, selectively and in a contingent manner, in response to the supplier's behaviour (Molm, 1990). However, it is important for managers to understand that attraction also influences the supplier unintentionally so that if the supplier finds the buyer company attractive, the supplier also wants to look attractive in the eyes of the buyer (see also Blau, 1986) and puts resources into the relationship, even if the buyer is not asking for it.

Companies should manage attraction as part of SRM, and the results of this thesis offer a managerial framework for managing attraction as part of SRM, including an instrument for measuring attraction and identifying which elements of attraction to develop. Understanding that attraction is important in developing a relationship, and that a strategy is needed to increase attractiveness, is one thing; however, finding the appropriate tactics to make that happen can be much more difficult (Nollet, 2012). While previous studies, as well as management literature, suggest the importance of supplier performance assessment and performance feedback as elements of SRM (Ellis et al., 2012), the results of my thesis suggest the importance of assessing suppliers' perceptions of attraction. Buyer companies

can then utilise these assessments to direct cooperation with suppliers, and this allows effective managers to develop customer attraction in the eyes of key suppliers. The challenge is that every partner values different aspects of a relationship: a company is not attractive in general but to a particular partner.

The results of this thesis suggest that the level of attraction can be measured by the operationalisation of the perceptions of expected value, trust and dependence, and that a buyer can influence perceptions of attraction by adapting supply management practices that influence its supplier's perceptions of different elements of expected value, trust and dependence. The results of this thesis also indicate that it is important to consult the perceptions of the supplier. As observed in this thesis, companies understand the other party's perceptions surprisingly poorly, even in relationships with a long history. Understanding what makes a buyer and a supplier attractive in a strategic relationship is important because it enables both parties to focus on the development of those attributes that are important in the relationship.

There are many potential ways for a buyer to improve the relationship and help the supplier's understanding that this is a good relationship worthy of investment. At this stage, the buyer needs to consider the full range of ways in which it can increase its attractiveness and focus on the elements with the best cost-benefit ratio. For instance, the managers of OEM and PharCo tended to think of price and volume as the only means of enhancing their attractiveness. However, this study revealed other ways of increasing attractiveness, such as good communication. Increasing the investments in a particular relationship is always risky and, thus, it is important to continually assess the supplier's response to these investments and decide if developing attraction for a particular supplier is still a priority. The results also suggest that managing attractiveness becomes far more important when the suppliers are strategic, as in these relationships the buyer needs to influence its suppliers in many areas.

Moreover, the findings from this thesis lead to several other suggestions that managers need to consider when managing attraction as part of SRM. Managers need to understand that, as attraction is about perceptions, they also need to manage perception. These perceptions may be unrelated to reality and, in some cases, change rapidly. In addition, the findings of this study suggest that managing the misalignment or incongruences within one organisation and with suppliers is important. It may be impossible to align the objectives of different functions and organisations, but it is critical to understand and manage them.

My results also emphasise the importance for managers to identify and analyse control boundaries, as many companies tend to rely on popular ideas rather than thorough analyses of their boundary-setting issues (see also Gadde, 2013). Understanding the interplay between antecedents of control boundaries is important in achieving the targeted benefits from the relationship. Managers need to identify the control boundaries in different processes and product groups and adapt them to the needs derived from the strategic intent.

9.3 Validity considerations, limitations of the study and future research needs

The purpose of the previous sections has been to assess and integrate the findings with other research. This section considers the quality of the study by focusing on validity issues and concluding with the limitations of the approach. To assess the strengths of a study, it is necessary to consider its weaknesses. **The limitations and validity considerations are also pointed out in the respective studies.**

9.3.1 Theoretical basis and unit of analysis

This thesis applied SET as a theoretical base, as it seems to offer a valuable lens through which to look at the research objectives of this thesis. Although social exchange theory originally examined interpersonal exchanges, it has been successfully extended to study inter-organisational exchanges, and previous studies have proved that it also has the potential to give fruitful insights in the BSR context. The identified pros and cons of using SET are presented in Section 2.4.

However, other theories would offer interesting insights into the research topic. The most promising, in addition to SET, may be the resource-based view, social capital theory and social network theory. In social capital theory, social capital is defined as a valuable asset that stems from access to resources made available through social relationships (Coleman, 1990; Granovetter, 1985) in three dimensions: cognitive, relational and structural (Nahapiet & Ghoshal, 1998). This seems to fit well with the approach of non-contractual value creation and influence. Buyer-supplier attraction has not been approached from social capital theory, and studies using the resource-based view remain scarce. Correspondingly, social network theory would bring interesting insights into exploring the topics of this thesis in a network context, as the theory assumes that actors interact simultaneously with a large number of other actors (see also Befy, 1977).

The BSR is the unit of analysis in this thesis. Choosing the BSR as the unit of analysis was natural, as the unit of analysis in SET is the relationship between actors (Emerson, 1976), as exchanges take place within structures of mutual dependence, with each actor's dependence constituting a source of power for its partner (Emerson, 1962). In SET, "actors who engage in exchange can be either individual persons or corporate groups acting as single unit (e.g., business corporations)", and these two are "assumed to be analytically equivalent only when groups act as a single actor" (Molm, 1997, p. 13). However, the unit of analysis of the interpersonal relationship between buyer and supplier companies was also considered as an option, and this would certainly have had its own benefits and limitations. Only a few studies on attraction in BSRs studied interpersonal relationships; see, for instance, Ellegaard (2012) and Hald (2012).

These choices definitely influence the implications and the results of this thesis. On the other hand, this opens several opportunities for further research within the topics of my thesis.

9.3.2 Validity considerations

Validity and reliability considerations are pointed out in Chapter 3, and the intention here is not to repeat them, but a couple of points are worth making. Sutton and Straw (1995) suggest that, when evaluating research that is strong on developing theory, the emphasis should be on its logic rather than its testing. First, the case study is not aimed at statistical generalisation. Instead, Stake (1995) notes, for instance, that the objective is to create a detailed picture of the studied phenomenon and use the term particularisation instead of generalisation. Yin (2013, p. 10) also explains that "case studies … are generalizable to theoretical propositions and not to populations or universes. In this sense, the case study does not represent a 'sample,' and the investigator's goal is to expand and generalize theories (analytic generalization) and not to enumerate frequencies (statistical generalization)." The results can be generalised to the studied cases and, to some extent and with careful consideration, to other cases that resemble the case context. This type of generalisation enables the assumption that the identified phenomena or patterns may exist in other similar situations, but other possible patterns can also exist. Ketokivi and Choi (2014) see that a case study is situationally grounded but simultaneously seeks a sense of generality. They state that "the question of generality is not whether the results generalize to other empirical contexts or to other observational units. The question is rather about the extent to which a sense of generality can be found in terms of theory: why should someone who neither knows anything about nor is in any way interested in Honda be interested in reading the manuscript?" (Ketokivi & Choi, 2014, p. 234).

Second, the number of cases in this thesis is limited. We did not add the cases until they reached saturation point because we reached our limit for managing data at six dyads. Moreover, the case PharCo-BulkMf was not as deep as the others, which may have an influence on the results. We had trouble accessing BulkMf during the study. Ultimately, only one person from the company agreed to be interviewed. However, this interviewee holds a key position in BulkMf's relationship with PharCo.

Further studies are needed to enhance the results of this study and to improve its external validity.

The literature generally advises that researchers continue to add cases until they begin to observe phenomena that have already been seen. This development generally indicates that the saturation point has been reached (Eisenhardt, 1989; Yin, 2013). However, Eisenhardt (1989) shows that pragmatic considerations, such as time and money, often limit the ability to reach the theoretical saturation point in a single study. A series of case studies may therefore be needed. A common number of cases in multiple case studies in operations management seems

to be between three and eight (Mahapatra et al., 2010; Wu & Choi, 2005). There are a manageable number of cases from which patterns can be easily identified.

Third, some constructs of this thesis are closely connected. Cropanzano and Mitchell (2005, p. 875) saw that difficulties facing SET are systemic, and "the core ideas that comprise SET have yet to be adequately articulated and integrated". They argue that SET constructs have not been entirely defined, and some definitions and formulations of SET are ambiguous, leaving space for various interpretations, and this is the case between relationship value and attraction. This definitely has implications for this thesis, as the researchers of SET have not been able to clarify the connection between constructs and, especially, between relationship value and attraction, and reward power and attraction.

Fourth, the operationalisation of different elements of attraction proved to be challenging and caused some uncertainty for our results. The literature provides operationalisations for the main constructs of this model (i.e. 'perceived value' and 'perceived trust'). However, because these constructs are so generic, the predefined operationalisations did not necessarily capture all of the issues that affected the perceived value and perceived trust in the studied cases. Further research is needed to enhance our understanding of the determinants of expected value and trust in different business contexts. As Ramsay and Wagner (2002) found in their study of supplier needs, wants and preferences, it is not safe to generalise across different types of companies.

9.3.3 Future research needs

In addition to the future research needs discussed in connection with the limitations, certain opportunities for future research arose during this process. Given the small number of studies on non-contractual, voluntary value creation, there are still many research gaps in this area, and behavioural factors in value creation are still an under-researched area and need more exploration.

First, some interesting research possibilities are identified related to control and attraction in supply chains. These are discussed in Studies 2-4 and will not be repeated here.

Second, the focus was on buyer-supplier dyads. It would be tempting to expand this research to networks. Enlarging the scope of the empirical sample from a dyad to a network of three or more companies, and studying non-contractual value creation in the context of exchange systems, may yield extremely interesting insights. Most of the studies using SET are dyadic in nature, but results from Das and Teng (2002) show that studying social exchanges in the context of exchange systems can yield extremely interesting insights. In particular, coupling SET with social network theory would offer interesting avenues for future research.

Third, as presented in previous sector, some constructs of this thesis are closely connected, especially value and attraction and reward power and attraction. This thesis attempted to clarify the connection and differences between these constructs, but further research is still needed on this.

Fourth, future research could focus on the role of power in joint value creation in BSRs. Power has already been excessively studied, however, and based on the results of this study, it seems that the separate dimensions of structural power identified here could be used as the basis for future explorations in the context of BSRs. Further exploration of the role of reward power in BSRs and its use, either intentionally or unintentionally, would also definitely add to the understanding of the success of collaborative relationships.

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Appendix A: Publications

Some results of the studies have previously been reported in journal articles and conference papers, or are in different stages of the publication process during the time of this writing.

Study 1:
Aminoff A., Tanskanen, K. (2013). '*Understanding influence and value creation in buyer-supplier relationships*', Competitive paper in IPSERA Conference, Nantes, France, April 2013. (Conference paper based on initial results of Study 1)

Aminoff; A, Tanskanen K: "*A framework for understanding influence and value creation in buyer-supplier relationships – a social exchange theory perspective*" Journal of purchasing and supply management - *in review*

Study 2:
Tanskanen K., Aminoff A (2015) "*Buyer and supplier attractiveness in a strategic relationship - A dyadic multiple-case study*", Industrial Marketing Management – *in press* (Based on results of Study 2)

Study 3:
Aminoff A., Tanskanen, K. (2013). '*Exploration of congruence in perceptions of buyer-supplier attraction: A dyadic multiple case study'*, Journal of Purchasing and Supply Management, Vol. 19, Issue 3, pp. 165-184. (Based on results of Study 3)

Aminoff A., Tanskanen, K. (2012). '*Exploration of congruence in perceptions of buyer-supplier attraction: A dyadic multiple case study*', Competitive paper in IPSERA Conference Naples, Italy, April, 2012. (Conference paper based on initial results of Study 3)

Study 4
Aminoff A., Tanskanen, K. (2014). '*The strategic use of attractiveness in the buyer-supplier relationship: a framework*'. IPSERA Conference, South-Africa, April 2014 (Initial version of Study 4)

Study 5
Aminoff A., Tanskanen K., (2012). *'A Dyadic Study of Control in Buyer-Supplier Relationships.*' Proceedings of the APMS 2012 Conference. Eds: Emmanouilidis, C., Taisch, M., and Kiritsis, D. IFIP AICT 398 Vol 398. (Based on initial results of Study 5)

Appendix B: Interview instrument for buyer companies

Date, Place, Interviewers:

1. Information about the interviewee

Name, Position:
Supplier that the interview concerns:
Main responsibilities of the interviewee:
Job history:
- Years at company:
- Years at the current position:
- Years at procurement related activities:

Job history related to the supplier in question:
- How long have you been working with this supplier?
- How long are your personal relationships with the supplier's personnel?

What part of the company do the answers concern?

2. What are the main objectives in developing the relationship?

Please estimate the importance of the objectives below with the selected supplier. Mark the alternative with numbers 1-5, 1= the most important objective, 5= the least important objective.
Estimate in the second column how well you have succeeded in the development of the goals with scale 1= very good success, 5= very poor success.

	Importance (1, 2, 3, 4,5)	Success (1 - 5)
Technical innovation		
Cost efficiency, e.g. streamlined and efficient SC processes		
Competitive price		
Product Quality		
Other (if needed)		

Name three most important development projects with the supplier:
How could your Company develop its own behaviour (processes, communication) to be more attractive as a customer?
How could the supplier develop its behaviour (processes, communication) to be more attractive as a supplier?

3. General questions about attractiveness

What are the characteristics that make the supplier attractive?
What are the characteristics that you perceive to make your company an attractive customer?

How important is the aspect of attractiveness in developing the buyer – supplier relationship in general?
How important you perceive is the aspect of attractiveness in developing THIS buyer – supplier relationship? Why?

4. **Literature based statements of supplier attraction**

Please rate the statements below regarding this specific supplier on scale 1-5 (1 = strongly agree, 5 = strongly disagree). Rate also the importance of each statement regarding the development of the specific buyer-supplier relationship on scale 1-5 (1 = very important, 5 = no importance). Describe also the reasons why you chose the grades.

	Perceived excepted value	1 = strongly agree 5 = strongly disagree	Importance 1 = very important 5 = no importance
Price reduction	Products are good value for money		
	Competitive purchasing prices		
Operative cost	The supplier's activities have reduced the supply chain process costs		
	The supplier's operations are efficient concerning the supply chain		
Time Compression	The time-to-market meets our needs		
	The lead time of the supplier meets our needs		
	Supplier reacts flexibly to needs for capacity modifications		
	Supplier reacts flexibly to needs for lead time changes		
	Supplier reacts flexibly to needs for product variations		
Innovation	Our company receives ideas for product development from the supplier		
	The supplier is willing to pass innovative ideas to your company		
	Supplier's ability to develop new prod-		

	ucts or improve existing products is good		
	Supplier is able to develop our manufacturing processes		
	Supplier gives new technological know-how for your company		
R&D	The supplier is capable and willing to update its technological competence according to our needs		
	The supplier is capable of engaging in (technical) development projects		
Information intermediation and communication	Supplier gives us information about procurement market		
	Supplier gives us information about relevant third parties (e.g. technology companies, consultants etc)		
	Supplier gives us information about developments in your company's market		
	Exchange of information in this relationship takes place frequently and informally, and not only according to a prespecified agreement		
Access to new SC partners	The relationship to the supplier gives us access to new supply chain partners e.g. by intermediation or reference		
Competency development	We learn new competencies form the supplier		
	We learn a lot when working together with the supplier		
Quality	Supplier's delivery reliability is good		
	Supplier's products meet our quality requirements (e.g. functionality and reliability)		
	Perceived trust		
Benevolence	When making important decisions, supplier is concerned about our welfare		

	We can openly discuss about the problems in the relationship with the supplier		
	When we have an important requirement, we can depend on supplier's support		
	We can count on supplier's promises made to us		
	The supplier is not always honest to us		
	We believe the supplier would behave opportunistic if he just had a chance		
	We get assistance from the supplier when we ask it		
	The supplier is willing to invest time and other resources into the relationship with us		
	The supplier puts the long-term cooperation with us before his short-term profit		
Integrity	Supplier has a reliable reputation		
	Brand of the supplier is good		
	Reasons		
	We can rely on the supplier handling critical information of our company confidentially		
	We are convinced that the supplier performs its task professionally		
	The supplier is capable compared to our needs		
	Supplier's values are similar to us		
	Benefits from the developments are divided equally between your company and supplier		
	Supplier states realistic demands to your company		
	The supplier is easy and comfortable to work with		

	Supplier behaves consistent across the organisation		
Social support	The work with these partners is socially satisfying (a source of e.g. power, motivation and creativity)		
	Working creates a good atmosphere and the partners are supportive and cooperative		
Customer commitment	We focus on long-term goals in this relationship		
	We are willing to invest time and other resources into the relationship with this supplier		
	We put the long-term cooperation with this supplier before our short-term profit		
	Perceived dependence		
Transaction specific access[1]	It would be a long and difficult process to change the supplier		
Human specific assets	Supplier has invested to new technology based on your company's requirement		
	Supplier has invested to new competencies based on your company's requirement		
	Your company has invested to new technology based on supplier's suggestions		
	Your company has invested to new competencies based on supplier's requirement		
Associate alternatives[2]	The suppliers products are unique		
Expected association value	The supplier's products are critical to your company's success		
	We expand our business with this supplier in the future		
	Reasons		

[1] Physical asset related facts are asked elsewhere, [2] Alternative related facts are asked elsewhere

Pick five most important statements above?
Why did you choose these?

5. Literature based statements of buyer attraction - *OEM view about its own attractiveness as a customer*

Please rate the statements below - **how you think the supplier perceives OEM and the relationship with OEM** a) on scale 1-5 (1 = strongly agree, 5 = strongly disagree) and b) importance of each statement regarding the development of the relationship on scale 1-5 (1 = very important, 5 = no importance). Describe also the reasons why you chose the grade.

	Perceived excepted value	1 = strongly agree 5 = strongly disagree	Importance 1 = very important 5 = no importance
Price / volume and growth	Prices are reasonable from suppliers point of view		
	The business volume with OEM is expected to grow in the future		
Operative cost	OEM's activities have reduced the supply chain process costs		
	OEM's working practices enable efficient supply chain management from supplier's point of view		
Time Compression	The time-to-market demands suit the supplier		
	The lead time demands suit the supplier		
	The supplier finds the capacity modification demands reasonable		
	The supplier finds the lead time change demands reasonable		
Innovation, R&D, Company develop-	OEM is willing to pass innovative ideas to the supplier		

ment	OEM is able to help to develop supplier's manufacturing processes		
	OEM gives new technological know-how for the supplier		
	Supplier learns new competencies form OEM		
	Supplier learns a lot when working together with OEM		
	OEM is capable of engaging in development projects		
Information intermediation	OEM gives the supplier enough forecast information for its planning operations		
	OEM gives the supplier information about the developments in the market		
	OEM gives the supplier information about relevant third parties (e.g. technology companies, consultants etc)		
	Exchange of information in this relationship takes place frequently and informally, and not only according to a prespecified agreement		
Access to new SC partners	The relationship with OEM gives the supplier access to new customers or supply chain partners e.g. by intermediation or reference		
	Perceived trust	1 = strongly agree 5 = strongly disagree	Importance 1 = very important 5 = no importance
Benevolence	When making important decisions, OEM is concerned about supplier's welfare		

	Supplier can openly discuss about the problems in the relationship with OEM		
	Supplier can count on OEM's promises made to it		
	Supplier thinks that OEM is not always honest to it		
	Supplier believes OEM would behave opportunistic if he just had a chance		
	Supplier gets assistance from OEM when he asks it		
	Supplier thinks that OEM is willing to invest time and other resources into the relationship with it		
	Supplier believes that OEM puts the long-term cooperation with the supplier before its short-term profit		
Integrity	OEM has a reliable reputation		
	OEM's brand is good		
	Supplier can rely on OEM handling critical information of its company confidentially		
	Supplier is convinced that OEM performs its task professionally		
	OEM's values are similar to the ones of the supplier		
	Benefits from the developments are divided equally between the supplier and OEM		
	OEM states realistic demands to the supplier		
	OEM behaves consistent across the organisation		
	OEM is easy and comfortable to work with		
	OEM pays the bills as agreed		

Social support	The work with these partners is socially satisfying (a source of e.g. power, motivation and creativity)		
	Working creates a good atmosphere and the partners are supportive and cooperative		
	Perceived dependence	1 = strongly agree 5 = strongly disagree	Importance 1 = very important 5 = no importance
Human specific assets	OEM has invested to new technology based on supplier's suggestions		
	OEM has invested to new competencies based on supplier's requirement		
Associate alternatives[2]	Supplier believes its products are unique		
Expected association value	Supplier's products are critical to OEM's success		
	Supplier expands its business with OEM in the future		
Pick five statements above that supplier considers most important			
Why did you choose these?			

In PharCo's interviews, "OEM" was replaced with "PharCo"

Body Text.

Appendix C: Interview instrument for supplier companies

Date, Place, Interviewers:

1. Information about the interviewee

Name, Position:

Main responsibilities of the interviewee:

Job history:

Years at the current employer:

Years at the current position:

Years at sales related activities:

Job history related to the supplier:

How long have you been working with this customer?

How long are your personal relationships with the customer's personnel?

2. What are the main objectives in developing the relationship?

Please estimate the importance of the objectives below with the customer. Mark the alternative with numbers 1-4, 1= the most important objective, 4= the least important objective.

Estimate in the second column how well you have succeeded in the development of the goals with scale 1= very poor success, 5= very good success.

	Importance (1, 2, 3, 4)	Success (1 - 5)
Increasing sales volume		
Improving efficiency		
Getting better price		
Fostering technical innovation		
Other, please specify:		

Comments:

Name three most important development projects with the customer:

3. General questions about attractiveness

What are the characteristics that make the customer an attractive customer?

What are the characteristics you perceive to make your company an attractive supplier?

How important is the aspect of attractiveness in developing the buyer – supplier relationship?
How important you perceive is the aspect of attractiveness in developing THIS buyer – supplier relationship? Why?
How could your company develop its behavior (processes, communication) to be more attractive as a supplier?
How could the customer develop its own behavior (processes, communication) to be more attractive?

4. Literature based statements of buyer attraction

Please rate the statements below regarding the customer on scale 1-5 (1 = strongly disagree, 5 = strongly agree). Rate also the importance of each statement regarding the development of the specific buyer-supplier relationship on scale 1-5 (1 = no importance, 5 = very important). If you don't know the answer/ don't have an opinion, please mark NA (no answer). There is space for comments / reasons beside each statement if necessary.

	Perceived excepted value	1 = strongly disagree 5 = strongly agree	Importance 1 = no importance 5 = very important
Price / volume and growth	Prices are reasonable from our point of view		
	The business volume with the customer is expected to grow in the future		
Operative cost	The customer's activities have reduced the supply chain process costs		
	The customer's working practices enable efficient supply chain management from our point of view		
Time Compression	The time-to-market (in product development) demands suit us		
	The lead time demands suit us		
	We find the capacity modification demands reasonable		
	We find the lead time change demands reasonable		

Innovation, R&D, Competency development	The customer is willing to pass innovative ideas to us		
	The customer is able to help to develop our manufacturing or supply chain processes		
	The customer gives us new technological know-how		
	We learn new competencies from the customer		
	We learn a lot when working together with the customer		
	The customer is capable of engaging in development projects with us		
Communication and Information intermediation	The customer gives us enough forecast information for our planning operations		
	The customer gives us information about the developments in the market		
	The customer gives us information about relevant third parties (e.g. technology companies, consultants etc)		
	Exchange of information in this relationship takes place frequently and informally, and not only according to a prespecified agreement		
Access to new SC partners	The relationship with The customer gives us access to new customers or supply chain partners e.g. by intermediation or reference		
	Perceived trust		
Benevolence	When making important decisions, the customer is concerned about our welfare		
	We can openly discuss about the problems in the relationship with the customer		
	We can count on the customer ‘s promises made to us		
	The customer is always honest to us		
	We believe the customer would behave opportunistic if it just had a chance		
	We get assistance from the customer when we		

	ask it		
	The customer is willing to invest time and other resources into the relationship with us		
	The customer puts the long-term cooperation with us before its short-term profit		
Integrity	The customer has a reliable reputation		
	The customer ‘s brand is good		
	We can rely on the customer handling critical information of our company confidentially		
	We are convinced that the customer performs its task professionally		
	The customer’s values are similar to ours		
	Developments benefit equally the customer and us		
	The customer states realistic demands to us		
	The customer behaves consistent across the organization		
	The customer is easy and comfortable to work with		
	The customer pays the bills as agreed		
Social support	The work with the customer is socially satisfying (a source of e.g. power, motivation and creativity)		
	Perceived dependence		
Supplier specific assets	The customer has invested to new technology based on our suggestions		
	The customer has invested to new competencies based on our requirement		
Associate alterna-tives[2]	We believe our products are unique		
Expected association value	It is critical that the products are specifically from us		

[1] Physical asset related facts are asked elsewhere

[2] Alternative related facts are asked elsewhere

Pick five most important statements above? Why did you pick these?

5. Literature based statements of supplier attraction - supplier's view about its own attractiveness

Please rate the statements below regarding OEM - **how you think OEM perceives you and the relationship with you** on scale 1-5 (1 = strongly disagree, 5 = strongly agree). Rate also the importance of each statement regarding the development of the specific buyer-supplier relationship on scale 1-5 (1 = no importance, 5 = very important). If you don't know the answer/ don't have an opinion, please mark NA (no answer). There is space for comments / reasons beside each statement if necessary.

	Perceived excepted value	1 = strongly disagree 5 = strongly agree	Importance 1 = no importance 5 = very important
Price reduction	OEM thinks that the products are good value for money		
	OEM thinks the purchasing prices are competitive		
Operative cost	The supplier's activities have reduced the supply chain process costs		
	The supplier's operations are efficient concerning the supply chain		
Time Compression	The time-to-market (in product development) meets OEM's needs		
	The lead time of the supplier meets OEM's needs		
	Supplier reacts flexibly to needs for capacity modifications		
	Supplier reacts flexibly to needs for lead time changes		
	Supplier reacts flexibly to needs for product variations		
Innovation	OEM receives ideas for product development from the supplier		

	The supplier is willing to pass innovative ideas to OEM (e.g. new SC models..)		
	Supplier's ability to develop new products or improve existing products is good		
	Supplier is able to help to develop OEM's manufacturing or SC processes		
R&D	The supplier is capable and willing to update its technological competence according to OEM's needs		
	The supplier is capable of engaging in (tecnhcial) development projects		
Information intermediation	Supplier gives OEM information about procurement market		
	Supplier gives OEM information about relevant third parties (e.g. technology companies, consultants etc)		
	Supplier gives OEM information about developments in OEM's market		
	Exchange of information in this relationship takes place frequently and informally, and not only according to a prespecified agreement		
Access to new SC partners	The relationship to the supplier gives OEM access to new supply chain partners e.g. by intermediation or reference		
Company development	OEM learns new competencies form the supplier		
	OEM learns a lot when working together with the supplier		
Quality	Supplier's delivery reliability is good		
	Supplier's products meet OEM's quality requirements (e.g. functionality and reliability)		
	Perceived trust	1 = strongly disagree 5 = strongly agree	Importance 1 = no importance 5 = very important

Benevo-lence	When making important decisions, supplier is concerned about OEM's welfare		
	OEM can openly discuss about the problems in the relationship with the supplier		
	When OEM has an important requirement, it can depend on supplier's support		
	OEM can count on supplier's promises made to it		
	The supplier is always honest to OEM		
	OEM believes the supplier would behave opportunistic if it just had a chance		
	OEM gets assistance from the supplier when it asks it		
	The supplier is willing to invest time and other resources into the relationship with OEM		
	The supplier puts the long-term cooperation with OEM before its short-term profit		
Integrity	Supplier has a reliable reputation		
	Brand of the supplier is good		
	OEM can rely on the supplier handling critical information of it confidentially		
	OEM is convinced that the supplier performs its task professionally		
	Supplier's values are similar to the ones of OEM		
	Developments benefit equally OEM and the supplier		
	Supplier states realistic demands to OEM		
	The supplier is easy and comfortable to work with		
	Supplier behaves consistent across the organisation		
Social support	The work with the supplier is socially satisfying (a source of e.g. power, motivation and creativity)		
	Perceived dependence	1 = strongly disagree 5 = strongly agree	Importance 1 = no importance 5 = very

			important
Transaction specific access[1]	It would be a long and difficult process to change the supplier		
(Human) specific asstets	Supplier has invested to new technology based on OEM's requirement		
	Supplier has invested to new competencies based on OEM's requirement		
Associate alternatives[2]	The suppliers products are unique		
Expected association value	The products OEM buys from the supplier are critical to OEM's success		
	It is critical that the products are specifically from this supplier		
	OEM expands its business with this supplier in the future		

[1] Physical asset related facts are asked elsewhere, [2] Alternative related facts are asked elsewhere

For PharCo's suppliers', "OEM" was replaced with "PharCo"

Appendix D: Numerical results of the level of attractiveness in case relationships

Grades and importance of literature-based elements of supplier attractiveness (Expected value and trust)

Buyer company	**OEM**						**PharCo**					
Supplier	HiTeCo		CoCom		ContrMan		PacCo		MedDev		BulkMf	
N.o. interviewees	5		5		6		2		4		3	
Averages of all answers [1])	Grade	Importance	Grade	Importance	Grade	Importance	Grade	Importance	Grade	Importance	Grade	Importance
Expected value [2)]	3,9	4,1	3,5	4,3	4,0	4,0	3,7	3,9	3,3	4,0	2,7	3,1
Operative performance												
Price	4,1	4,8	3,9	4,5	4,1	4,8	4,0	4,5	3,3	4,5	3,5	3,3
Cost reduction	3,8	4,0	2,9	3,8	3,7	4,3	3,5	4,5	3,0	4,3	2,3	4,0
Time compression	3,3	4,5	3,5	4,0	4,0	4,5	3,8	4,8	3,4	4,6	2,6	3,1
Quality	3,9	4,8	4,2	4,5	3,8	5,0	4,3	5,0	4,1	5,0	2,2	4,5
Communication	4,6	4,0	4,4	3,6	4,6	4,4	5,0	4,5	4,0	4,8	2,0	3,7
Competency development												
Learning and innovations	3,9	4,2	3,8	4,1	3,8	3,4	3,3	3,3	2,6	3,9	2,3	2,5
Competency development	3,6	3,4	3,3	3,7	3,6	3,7	3,3	3,3	2,1	3,3	2,2	2,3
Supplier's R&D competence	4,4	4,3	4,3	4,7	4,2	3,9	3,3	3,1	3,7	4,3	3,2	3,3
Intermediation												
Information intermediation	3,5	3,0	3,2	3,5	4,1	3,9	2,0	3,0	1,3	1,8	1,5	2,0
Access to new partners	3,0	3,5	3,7	3,7	3,8	3,6	1,5	1,5	1,8	2,3	1,3	1,7
Trust [2)]	4,2	4,1	3,9	4,1	4,3	4,6	4,2	4,4	3,7	4,2	2,8	3,7
Benevolence												
Loyalty	4,2	4,1	3,7	4,4	4,0	4,7	4,2	4,6	3,7	4,5	2,8	3,8
Support	4,1	4,2	3,9	4,2	4,6	5,0	4,2	3,4	3,8	3,4	2,2	3,0
Integrity												
Shared values	4,0	3,9	4,3	3,5	4,4	4,4	4,5	4,0	3,8	3,8	2,2	3,8
Fairness	4,4	4,1	3,9	3,7	4,2	4,2	4,0	5,0	2,5	4,3	4,0	4,3
Reliability	4,5	4,1	4,2	4,3	4,2	4,2	4,2	4,8	3,9	3,8	2,8	3,3

[1)] Scale grade: 1 (poor)-5 (very good)

[1)] Scale importance(not important) - 5 (very important)

[2)]Average grade calculated as weightened average

Perceived grades and importance of literature-based elements of buyer attractiveness (Expected value and trust)

Buyer company	**OEM**						**PharCo**					
Supplier	HiTeCo		CoCom		ContrMan		PacCo		MedDev		BulkMf	
N.o. interviewees	3		3		2		3		6		1	
Averages of all answers [1)]	Grade	Importance	Grade	Importance	Grade	Importance	Grade	Importance	Grade	Importance	Grade	Importance
Expected value [2)]	3,8	4,0	2,9	3,4	2,6	4,2	3,3	4,1	3,5	4,3	4,1	4,3
Operative performance												
Price	3,5	3,5	4,0	5,0	2,0	4,3	2,0	4,0	4,0	4,8	4,0	5,0
Cost effectiveness	3,5	4,0	2,0	4,0	1,3	5,0	2,5	4,0	2,9	4,2	4,5	5,0
Time compression	2,6	3,8	2,3	3,3	2,5	4,7	2,7	4,7	3,0	4,1	4,7	4,0
Communication	4,0	5,0	3,7	4,7	3,7	4,3	3,5	5,0	3,3	4,9	4,5	4,5
Competency development												
Innovations	4,3	4,5	1,7	2,0	2,9	3,2	3,0	3,3	3,5	4,1	2,7	3,3
Competence development	4,5	4,5	4,0	4,0	3,2	3,0	4,0	4,0	3,1	4,0	3,5	3,5
R&D	5,0	5,0	4,0	3,0	3,7	4,3	4,0	5,0	4,0	4,6	5,0	5,0
Intermediation												
Information intermediation	3,5	4,2	2,5	3,3	2,2	3,8	2,0	4,0	2,4	4,6	1,0	3,0
Access to new partners	2,5	3,0		1,0	2,0	3,7	4,0	3,0	2,0	3,0	1,0	3,0
Growth	4,0	4,0	5,0	5,0	4,7	5,0	3,0	5,0	4,2	5,0	5,0	5,0
Trust [2)]	4,3	4,1	3,6	4,3	3,6	4,3	4,2	4,5	4,0	4,5	4,9	4,7
Benevolence												
Loyalty	4,3	4,3	3,0	4,3	3,8	4,7	4,2	4,8	4,0	4,6	5,0	5,0
Support	4,3	4,2	3,1	4,3	3,9	4,6	3,7	4,0	3,9	4,4	3,7	3,7
Integrity												
Shared values	4,8	3,8	3,5	4,5	3,7	4,0	4,0	4,5	4,1	4,7	5,0	5,0
Fairness	3,8	4,3	4,0	4,0	3,7	4,0	3,5	4,5	3,0	4,2	5,0	5,0
Reliability	4,7	4,0	3,8	4,4	3,6	4,5	4,5	4,6	4,7	4,8	5,0	5,0

[1)] Scale grade: 1 (poor)-5 (very good)

[1)] Scale Importance(not important) - 5 (very important)

[2)]Average grade calculated as weightened average

Series title and number

VTT Science 90

Title	**The role of attraction and control boundaries in value creation – dyadic exploration of strategic buyer-supplier relationships**
Author(s)	Anna Aminoff
Abstract	The development of strategic buyer-supplier relationships (BSR) has attracted considerable interest. In a strategic BSR, the buyer and the supplier both aim to utilise the relationship to gain a competitive advantage. This thesis suggests that a better understanding of non-contractual, reciprocal value creation, as proposed in social exchange theory (SET), would help us to understand how to realise the potential of the strategic relationship. The aim of the thesis is to increase the understanding of the role of attraction and control boundaries in value creation in strategic BSRs. Three research questions are addressed: (1) How do the social mechanisms affect value creation in strategic BSRs as proposed by SET? (2) How does attraction affect value creation in strategic BSRs? (3) What explains the control boundaries of a firm in strategic BSRs? The thesis consists of five individual studies, and the in-depth data from six dyadic case studies are applied to answer these questions. This research makes a major effort to clarify the basic assumptions and scope of useful concepts and theoretical constructs of SET in the context of BSRs. This thesis recognises structural power as an explanation and source of value creation. Structural power, meaning power asymmetry and interdependence, explains the distribution and total amount of value creation in BSRs. Thus, understanding how different sources of dependency affect structural power is vital, and by affecting one or more of these sources of dependency, a company can change the structural power, which then influences value creation over the course of the relationship. In this thesis, buyer-supplier attraction is suggested to precede the reciprocal, voluntary effort. The thesis contributes by adding understanding of the role of attraction in strategic BSRs, as the vast body of literature discusses the role of attraction in the initiation phase of relationships and in gaining preferred customer status. The dyadic approach to attraction is a cornerstone of this thesis, and the results of the thesis propose that mutual attraction is a prerequisite for the strategic success of BSRs. In a strategic BSR, a company can no longer only control its own resources, and this thesis recognises that understanding control boundaries is important when aiming to influence the other party.
ISBN, ISSN	ISBN 978-951-38-8292-1 (Soft back ed.) ISBN 978-951-38-8293-8 (URL: http://www.vtt.fi/publications/index.jsp) ISSN-L 2242-119X ISSN 2242-119X (Print) ISSN 2242-1203 (Online)
Date	May 2015
Language	English, Finnish abstract
Pages	220 p. + app. 20 p.
Name of the project	
Commissioned by	
Keywords	Buyer-supplier attraction, control boundaries, reciprocal value creation, social exchange theory
Publisher	VTT Technical Research Centre of Finland Ltd P.O. Box 1000, FI-02044 VTT, Finland, Tel. 020 722 111

Julkaisun sarja ja numero

VTT Science 90

Nimeke	**Houkuttelevuuden ja kontrollin rooli arvon luonnissa – dyadinen tutkimus strategisista asiakas-toimittajasuhteista**
Tekijä(t)	Anna Aminoff
Tiivistelmä	Toimittajasuhteiden hallinnan merkitys on kasvanut merkittävästi, ja strategisten asiakas-toimittajasuhteiden kehittäminen on noussut mielenkiinnon kohteeksi yrityksissä. Näissä suhteissa sekä asiakas että toimittaja pyrkivät hyödyntämään suhdetta saavuttaakseen strategiset pitkäntähtäimen tavoitteensa. 'Houkuttelevuuden' on ehdotettu edistävän vuorovaikutteista, vapaaehtoista panostusta suhteeseen. Houkuttelevuus asiakkaana on herättänyt viime aikoina paljon kiinnostusta, sillä tilanne toimittajamarkkinoilla on muuttunut. Yrityksen on oltava houkutteleva asiakas saavuttaakseen parhaana pidetyn asiakkaan aseman, ja siten varmistamaan käyttöönsä toimittajan parhaat resurssit. Lähestymistapa on hyvin erilainen verrattuna perinteiseen ostamiseen. Väitöskirjan tavoitteena on lisätä ymmärrystä houkuttelevuuden ja kontrollin roolista arvonluonnissa strategisissa asiakas-toimittajasuhteissa. Väitöskirja muodostuu viidestä erillisestä tutkimuksesta, jotka pohjautuvat samaan aineistoon. Tutkimusmenetelmänä on monitapaustutkimus. Lähtökohtana on, että vastavuoroisen arvonluonnin mekanismien ymmärtäminen on tärkeää strategisten asiakas-toimittajasuhteiden menestymisessä. Vastavuoroinen arvonluonti perustuu vapaa-ehtoisuuteen, ja sitä ei ole sovittu yksiselitteisesti sopimuksissa. Lähestymistapa pohjautuu sosiaalisen vaihdannan teoriaan. Väitöskirjassa käyn syvällisesti läpi sosiaalisen vaihdannan teorian konseptit ja käsitteet, sekä miten niitä voidaan soveltaa asiakas-toimittajasuhteen kehittämiseen. Väitöskirja tuottaa erityisesti uuttaa tietoa houkuttelevuuden roolista strategisissa asiakas-toimittajasuhteissa, kun aikaisempi tutkimus on keskittynyt houkuttelevuuteen suhteen alkuvaiheessa ja houkuttelevuuden rooliin parhaana pidetyn asiakkaan aseman saavuttamisessa. Väitöskirjan tulosten mukaan molemminpuolinen houkuttelevuus on edellytys strategisen asiakas-toimittajasuhteen onnistumiselle. Väitöskirjassa luon mallin, jonka avulla yritys pystyy hallitsemaan houkuttelevuuttaan asiakkaana osana toimittajasuhteiden hallintaa. Yritykset voivat siis käyttää houkuttelevuutta aktiivisesti tavoitteenaan vaikuttaa suhteen toiseen osapuoleen. Lisäksi tutkimuksessani tunnistan kontrollin rajojen ymmärtämisen olevan tärkeää, sillä strategisissa asiakas-toimittajasuhteissa yritys ei voi enää täysin kontrolloida tarvitsemiaan resursseja.
ISBN, ISSN	ISBN 978-951-38-8292-1 (nid.) ISBN 978-951-38-8293-8 (URL: http://www.vtt.fi/publications/index.jsp) ISSN-L 2242-119X ISSN 2242-119X (Painettu) ISSN 2242-1203 (Verkkojulkaisu)
Julkaisuaika	Toukokuu 2015
Kieli	Englanti, suomenkielinen tiivistelmä
Sivumäärä	220 s. + liitt. 20 s.
Projektin nimi	
Rahoittajat	
Avainsanat	Asiakas-toimittajasuhde, houkuttelevuus, kontrolli, vastavuoroinen arvonluonti, sosiaalisen vaihdannan teoria
Julkaisija	Teknologian tutkimuskeskus VTT Oy PL 1000, 02044 VTT, puh. 020 722 111

The role of attraction and control boundaries in value creation – dyadic exploration of strategic buyer-supplier relationships

ISBN 978-951-38-8292-1 (Soft back ed.)
ISBN 978-951-38-8293-8 (URL: http://www.vtt.fi/publications/index.jsp)
ISSN-L 2242-119X
ISSN 2242-119X (Print)
ISSN 2242-1203 (Online)